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Dihlabeng Local Municipality
Annual Financial Statements
for the year ended 30 June 2013

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2013

General Information

Registered office	9 Muller Street East Bethlehem 9701
Business address	9 Muller Street East Bethlehem 9701
Postal address	Po Box 551 Bethlehem 9701
Bankers	ABSA
Auditors	Auditor's/Accountant's name

Dihlabeng Local Municipality

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Abbreviations

INCA	Infrastructure Finance Corporation Limited
PRMA	Post Retirement Medical Aid
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
SARS	South African Revenue Service
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
CFO	Chief Financial Officer
MSA	Municipal Systems Act
VAT	Value Added Tax

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Accounting Officer's Report

The annual financial statements set out on pages 6 to 86, which have been prepared on the going concern basis, were approved by the accounting officer on 31 May 2011 and were signed on its behalf by:

Accounting Officer
Designation

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Statement of Financial Position as at 30 June 2013

Figures in Rand	Note(s)	2013	2012
Assets			
Current Assets			
Cash and cash equivalents	3	130,566	3,543,668
Consumer debtors	4	58,019,738	57,610,134
Inventories	5	1,410,675	916,054
Other financial assets	6	841,473	794,177
Receivables from exchange transactions	7	11,193,468	10,958,343
Receivables from non-exchange transactions	8	3,563,756	4,624,317
		75,159,676	78,446,693
Non-Current Assets			
Intangible assets	9	33,844	259,853
Investment property	10	76,471,194	76,471,194
Other financial assets	6	315,343	245,740
Property, plant and equipment	11	1,838,450,102	1,802,092,027
		1,915,270,483	1,879,068,814
Total Assets		1,990,430,159	1,957,515,507
Liabilities			
Current Liabilities			
Bank overdraft	3	5,975,286	-
Consumer deposits	12	3,774,277	3,587,147
Other financial liabilities	13	2,795,172	3,965,492
Payables from exchange transactions	14	180,472,805	128,099,662
Unspent conditional grants and receipts	15	7,511,811	9,281,950
VAT payable	16	2,442,111	11,875,151
		202,971,462	156,809,402
Non-Current Liabilities			
Long service awards	17	7,505,000	6,315,000
Other financial liabilities	13	34,054,350	36,830,023
Provisions	18	35,764,013	35,310,164
Retirement benefit obligation	19	27,375,000	24,452,984
		104,698,363	102,908,171
Total Liabilities		307,669,825	259,717,573
Net Assets		1,682,760,334	1,697,797,934
Net Assets			
Accumulated surplus		1,682,760,334	1,697,797,934

Dihlabeng Local Municipality

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Statement of Financial Performance

Figures in Rand	Note(s)	2013	2012
Revenue			
Service charges	22	265,410,619	244,118,181
Rendering of services		1,543,677	1,507,462
Rental of facilities and equipment	21	3,555,596	2,953,055
Interest received - accounts receivable		23,060,999	19,858,218
Licences and permits		86,343	27,564
Other income	24	3,122,519	4,031,169
Interest received - investment		11,095	9,420
Dividends received		5,460	-
Property rates	21	66,850,440	67,323,155
Government grants & subsidies	23	223,980,838	190,544,628
Fines		4,571,578	641,082
Total revenue		592,199,164	531,013,934
Expenditure			
Employee costs	26	(158,209,029)	(142,829,041)
Remuneration of councillors	27	(13,060,025)	(12,888,264)
Depreciation and amortisation	31	(68,534,170)	(67,453,898)
Finance costs	32	(15,858,386)	(6,219,442)
Debt impairment	28	(86,051,120)	(85,708,586)
Repairs and maintenance		(16,462,664)	(17,723,643)
Bulk purchases	36	(117,930,942)	(83,154,096)
Contracted services	35	(2,008,159)	(2,533,104)
Grants and subsidies paid		(9,138,285)	(5,734,041)
General Expenses	25	(117,401,123)	(82,734,994)
Total expenditure		(604,653,903)	(506,979,109)
Operating (deficit) surplus		(12,454,739)	24,034,825
Gain (loss) on disposal of assets and liabilities		864,825	(2,313,798)
Fair value adjustments	30	(3,081,899)	6,219,417
Fair value adjustment of game stock		-	(367,300)
		(2,217,074)	3,538,319
(Deficit) surplus for the year		(14,671,813)	27,573,144
Attributable to:			
Owners of the controlling entity		(14,671,813)	27,573,144

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	1,669,859,002	1,669,859,002
Adjustments		
Prior year adjustments	365,788	365,788
Balance at 01 July 2011 as restated	1,670,224,790	1,670,224,790
Changes in net assets		
Deficit for the year	27,573,144	27,573,144
Total changes	27,573,144	27,573,144
Balance at 01 July 2012	1,697,432,147	1,697,432,147
Changes in net assets		
Surplus for the year	(14,671,813)	(14,671,813)
Total changes	(14,671,813)	(14,671,813)
Balance at 30 June 2013	1,682,760,334	1,682,760,334
Note(s)		

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Cash Flow Statement

Figures in Rand	Note(s)	2013	2012
Cash flows from operating activities			
Receipts			
Sale of goods and services		242,912,058	242,912,058
Grants		194,125,438	194,125,438
Interest income		11,095	9,420
Dividends received		5,460	-
		<u>437,054,051</u>	<u>437,046,916</u>
Payments			
Employee costs		(171,269,054)	(155,717,305)
Suppliers		(139,896,938)	(112,327,697)
Finance costs		(15,858,386)	(6,219,442)
		<u>(327,024,378)</u>	<u>(274,264,444)</u>
Undefined difference compared to the cash generated from operations note		68,895,914	-
Net cash flows from operating activities	37	178,925,587	162,782,472
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(106,229,391)	(116,670,137)
Proceeds from sale of property, plant and equipment	11	8,049,083	22,962,596
Proceeds from sale of investment property	10	-	1,500,000
Purchase of financial assets		982,290	314,840
Purchase of property, plant and equipment		(67,394,003)	-
Net cash flows from investing activities		(164,592,021)	(91,892,701)
Cash flows from financing activities			
Repayment of other financial liabilities		(25,084,885)	(6,204,897)
Movement in consumer deposits		1,362,931	172,931
Finance lease payments		-	(20,255)
Net cash flows from financing activities		(23,721,954)	(6,052,221)
Net increase/(decrease) in cash and cash equivalents		(9,388,388)	64,837,550
Cash and cash equivalents at the beginning of the year		3,543,668	(61,293,882)
Cash and cash equivalents at the end of the year	3	(5,844,720)	3,543,668

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Annual Financial Statements for the year ended 30 June 2013

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2013											
Financial Performance											
Property rates	71,358,000	-	71,358,000	-		71,358,000	66,850,440		(4,507,560)	94 %	94 %
Service charges	271,347,000	-	271,347,000	-		271,347,000	265,410,619		(5,936,381)	98 %	98 %
Investment revenue	23,454,000	-	23,454,000	-		23,454,000	16,555		(23,437,445)	- %	- %
Transfers recognised - operational	131,667,000	-	131,667,000	-		131,667,000	132,667,000		1,000,000	101 %	101 %
Other own revenue	13,716,000	-	13,716,000	-		13,716,000	37,973,868		24,257,868	277 %	277 %
Total revenue (excluding capital transfers and contributions)	511,542,000	-	511,542,000	-		511,542,000	502,918,482		(8,623,518)	98 %	98 %
Employee costs	(152,154,000)	-	(152,154,000)	-	-	(152,154,000)	(158,209,029)	-	(6,055,029)	104 %	104 %
Remuneration of councillors	(11,842,000)	-	(11,842,000)	-	-	(11,842,000)	(13,060,025)	-	(1,218,025)	110 %	110 %
Debt impairment	(115,243,000)	-	(115,243,000)			(115,243,000)	(86,051,120)	(85,709,000)	29,191,880	75 %	75 %
Depreciation and asset impairment	(78,941,000)	-	(78,941,000)			(78,941,000)	(68,534,170)	(67,385,000)	10,406,830	87 %	87 %
Finance charges	(4,734,000)	-	(4,734,000)	-	-	(4,734,000)	(15,858,386)	(6,528,000)	(11,124,386)	335 %	335 %
Materials and bulk purchases	(118,167,000)	-	(118,167,000)	-	-	(118,167,000)	(117,930,942)	(3,294,000)	236,058	100 %	100 %
Transfers and grants	-	-	-	-	-	-	(9,138,285)	-	(9,138,285)	DIV/0 %	DIV/0 %
Other expenditure	(131,546,000)	-	(131,546,000)	-	-	(131,546,000)	(140,122,176)	(41,220,000)	(8,576,176)	107 %	107 %
Total expenditure	(612,627,000)	-	(612,627,000)	-	-	(612,627,000)	(608,904,133)	(204,136,000)	3,722,867	99 %	99 %
Surplus/(Deficit)	(101,085,000)	-	(101,085,000)	-		(101,085,000)	(105,985,651)		(4,900,651)	105 %	105 %

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	(69,380,000)	-	(69,380,000)	-		(69,380,000)	91,313,838		160,693,838	(132)%	(132)%
Surplus (Deficit) after capital transfers and contributions	(170,465,000)	-	(170,465,000)	-		(170,465,000)	(14,671,813)		155,793,187	9 %	9 %
Surplus/(Deficit) for the year	(170,465,000)	-	(170,465,000)	-		(170,465,000)	(14,671,813)		155,793,187	9 %	9 %

Capital expenditure and funds sources

Total capital expenditure	-	-	-	-		-	304,243,002		304,243,002	DIV/0 %	DIV/0 %
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Cash flows

Net cash from (used) operating	82,767,000	-	82,767,000	-		82,767,000	178,925,587		96,158,587	216 %	216 %
Net cash from (used) investing	(82,745,000)	-	(82,745,000)	-		(82,745,000)	(164,592,021)		(81,847,021)	199 %	199 %
Net cash from (used) financing	(5,806,000)	-	(5,806,000)	-		(5,806,000)	(23,721,954)		(17,915,954)	409 %	409 %
Net increase/(decrease) in cash and cash equivalents	(5,784,000)	-	(5,784,000)	-		(5,784,000)	(9,388,388)		(3,604,388)	162 %	162 %
Cash and cash equivalents at the beginning of the year	-	-	-	-		-	3,543,668		3,543,668	DIV/0 %	DIV/0 %
Cash and cash equivalents at year end	(5,784,000)	-	(5,784,000)	-		(5,784,000)	(5,844,720)		60,720	101 %	101 %

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Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
2012				
Financial Performance				
Property rates				67,323,155
Service charges				244,118,181
Investment revenue				9,420
Transfers recognised - operational				117,091,000
Other own revenue				36,737,967
Total revenue (excluding capital transfers and contributions)				465,279,723
Employee costs	-	-	-	(142,829,041)
Remuneration of councillors	-	-	-	(12,888,264)
Debt impairment	(85,709,000)	(85,709,000)	-	(85,708,586)
Depreciation and asset impairment	(67,385,000)	(67,385,000)	-	(67,453,898)
Finance charges	(6,528,000)	(6,528,000)	-	(6,219,442)
Materials and bulk purchases	(3,294,000)	(3,294,000)	-	(83,154,096)
Transfers and grants	-	-	-	(5,734,041)
Other expenditure	(41,220,000)	(41,220,000)	-	(107,172,839)
Total expenditure	(204,136,000)	(204,136,000)	-	(511,160,207)
Surplus/(Deficit)				(45,880,484)
Transfers recognised - capital				73,453,628
Surplus (Deficit) after capital transfers and contributions				27,573,144
Surplus/(Deficit) for the year				27,573,144
Capital expenditure and funds sources				
Total capital expenditure				198,013,608

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Annual Financial Statements for the year ended 30 June 2013

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
Cash flows				
Net cash from (used) operating				162,782,472
Net cash from (used) investing				(91,892,701)
Net cash from (used) financing				(6,052,221)
Net increase/(decrease) in cash and cash equivalents				64,837,550
Cash and cash equivalents at the beginning of the year				(61,293,882)
Cash and cash equivalents at year end				3,543,668

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.1 Transfer of functions between entities under common control (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including maintenance, changes in technology, market conditions, together with economic factors such as interest rate fluctuations.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 19.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.2 Investment property (continued)

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

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Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.3 Property, plant and equipment (continued)

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Infrastructure solid waste - Land	
• Community Assets	Infinite
• Operational	Infinite
Community Assets - Buildings	
• Community Assets	15 - 50
• Operational	15 - 50
Plant and equipment	5 - 15
Furniture and equipment	7 - 10
Motor vehicles	3 - 20
Office equipment	5 - 7
Infrastructure Roads	
• Electricity	5 - 50
• Sewer	15 - 50
• Roads and Storm Water	10 - 80
• Water	12 - 50
• Solid Waste - Land	Infinite
• Solid Waste - Buildings	15 - 50
Emergency Equipment	5 - 15
Bins and containers	5 - 10

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The useful lives are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and the required return on assets to determine the optimum useful life expectation where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

The Municipality maintains and acquires assets to provide a social service to the community, with no intention of disposing of the assets for any economic gain, and thus no residual value are determined other than for motor vehicles.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of municipality are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.4 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

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Accounting Policies

1.4 Intangible assets (continued)

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	3 years
Operating computer software	6 years
Vending machines	10 years

1.5 Heritage assets

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Dihlabeng Local Municipality

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Accounting Policies

1.5 Heritage assets (continued)

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

Transitional provision

The municipality changed its accounting policy for heritage assets in 2013. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure heritage assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Heritage assets. Heritage assets have accordingly been recognised at provisional amounts, as disclosed in . The transitional provision expires on 2015/06/30.

Until such time as the measurement period expires and heritage assets is recognised and measured in accordance with the requirements of the Standard of GRAP on Heritage assets, the municipality need not comply with the Standards of GRAP on (to the extent that these Standards prescribe requirements for heritage assets):

- Presentation of Financial Statements (GRAP 1),

The exemption from applying the measurement requirements of the Standard of GRAP on Heritage assets implies that any associated presentation and disclosure requirements need not be complied with for heritage assets not measured in accordance with the requirements of the Standard of GRAP on Heritage assets.

Dihlabeng Local Municipality

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Accounting Policies

1.6 Financial instruments

Classification

The entity classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Financial liabilities at fair value through surplus or deficit - held for trading
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

Subsequent measurement

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Net gains or losses on the financial instruments at fair value through surplus or deficit include dividends and interest.

Dividend income is recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Dihlabeng Local Municipality

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Accounting Policies

1.6 Financial instruments (continued)

Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.6 Financial instruments (continued)

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Derivatives

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts and interest rate swaps, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in surplus or deficit.

Changes in the fair value of derivative financial instruments are recognised in surplus or deficit as they arise.

Derivatives are classified as financial assets at fair value through surplus or deficit - held for trading.

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity.

Financial liabilities and equity instruments

Financial liabilities are classified according to the substance of contractual agreements entered into. Trade and other payables are stated at their nominal value. Equity instruments are recorded at the amount received, net of direct issue costs.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit;
- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Dihlabeng Local Municipality

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Accounting Policies

1.6 Financial instruments (continued)

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the municipality has transferred its rights to receive cash flows from the asset and either
 - has transferred substantially all the risks and rewards of the asset, or
 - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

Impairment of financial assets

The municipality assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets are carried at amortised cost.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Dihlabeng Local Municipality

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Accounting Policies

1.7 Leases (continued)

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.8 Inventories

Water inventory is measured at the lower of cost or net realisable value.

Other inventory is measured at the lower of cost or net replacement value.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.9 Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

Dihlabeng Local Municipality

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Accounting Policies

1.9 Non-current assets held for sale and disposal groups (continued)

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.10 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

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Accounting Policies

1.10 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.11 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Dihlabeng Local Municipality

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Accounting Policies

1.11 Impairment of non-cash-generating assets (continued)

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow:
[Specify criteria]

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Dihlabeng Local Municipality

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Accounting Policies

1.11 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.12 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.13 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Dihlabeng Local Municipality

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Accounting Policies

1.13 Employee benefits (continued)

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

1.14 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.14 Provisions and contingencies (continued)

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

1.15 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.15 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

1.16 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

The municipality has two types of fines, spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a prosecutor pays over to the municipality the cash actually received on summonses issued.

1.17 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.18 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.19 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.20 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.20 Unauthorised expenditure (continued)

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the Municipal Systems Act, 2000 (Act No. 32 of 2000), or any regulations made in terms of the Act; or
- (c) the Public Office Bearers Act, 1998 (Act No. 20 of 1998); or
- (d) is in contravention with the Municipality's supply chain management policy and which has not been condoned in terms of such act or policy.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.24 Presentation of currency

These annual financial statements are presented in South African Rand.

1.25 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.26 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

1.27 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.28 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2010/04/01 to 2011/03/31.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.29 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 23: Revenue from Non-exchange Transactions

Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the municipality.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised as recognise an amount equal to that reduction.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 annual financial statements.

The impact of the standard is not material.

GRAP 24: Presentation of Budget Information in the Financial Statements

Subject to the requirements of paragraph .19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where an entity prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and annual financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

GRAP 103: Heritage Assets

Grap 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

A heritage asset should be recognised as an asset only if:

- it is probable that future economic benefits or service potential associated with the asset will to the municipality; and
- the cost of fair value of the asset can be measured reliably.

The standard required judgment in applying the initial recognition criteria to the specific circumstances surrounding the entity and the assets.

Grap 103 states that a heritage asset should be measured at its cost unless it is acquired through a non-exchange transaction which should then be measured at its fair value as at the date of acquisition.

In terms of the standard, an entity has a choice between the cost and revaluation model as accounting policy for subsequent recognition and should apply the chosen policy to an entire class of heritage assets.

The cost model requires a class of heritage assets to be carried at its cost less any accumulated impairment losses.

The revaluation model required a class of heritage assets to be carried at its fair value at the date of the revaluation less any subsequent impairment losses. The standard also states that a restriction on the disposal of a heritage asset does not preclude the entity from determining the fair value.

Grap 103 prescribes that when determining the fair value of a heritage asset that has more than one purpose, the fair value should reflect both the asset's heritage value and the value obtained from its use in the production or supply of goods or services or for administrative purposes.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase should be credited directly to a revaluation surplus. However, the increase should be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit. If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease should be recognised in surplus or deficit. However, the decrease should be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Grap 103 states that a heritage asset should not be depreciated but an entity should assess at each reporting date whether there is an indication that it may be impaired.

In terms of the standard, compensation from third parties for heritage assets that have been impaired, lost or given up, should be included in surplus or deficit when the compensation becomes receivable.

For a transfer from heritage assets carried at a revalued amount to property, plant and equipment, investment property, inventories or intangible assets, the asset's deemed cost for subsequent accounting should be its revalued amount at the date of transfer. The entity should treat any difference at that date between the carrying amount of the heritage asset and its fair value in the same way as a revaluation in accordance with this Standard. If an item of property, plant and equipment or an intangible asset carried at a revalued amount, or investment property carried at fair value is reclassified as a heritage asset carried at a revalued amount, the entity applies the applicable Standard of GRAP to that asset up to the date of change. The entity treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard of GRAP relating to that asset. For a transfer from investment property carried at fair value, or inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount should be recognised in surplus or deficit.

The carrying amount of a heritage asset should be derecognised:

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- on disposal, or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 annual financial statements.

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

GRAP 21: Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

An municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, an entity estimates the recoverable service amount of the asset.

The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:

- Depreciated replacement cost approach
- Restoration cost approach
- Service units approach

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

An municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, an entity estimates the recoverable service amount of that asset.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 annual financial statements.

The impact of the standard is not material.

GRAP 26: Impairment of cash-generating assets

Cash-generating assets are those assets held by an municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

An entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, an municipality estimates the recoverable amount of the asset. When estimating the value in use of an asset, an municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and an municipality applies the appropriate discount rate to those future cash flows.

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, an municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, an entity use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

An municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, an municipality estimates the recoverable amount of that asset.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 annual financial statements.

The impact of the standard is not material.

2.2 Standards and Interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

GRAP 25: Employee benefits

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires an municipality to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- an expense when an municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

GRAP25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

GRAP25 defines, amongst others, the following:

- Employee benefits as all forms of consideration given by an municipality in exchange for service rendered by employees;
- Defined contribution plans as post-employment benefit plans under which an municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods;
- Defined benefit plans as post-employment benefit plans other than defined contribution plans;
- Multi-employer plans as defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that:
 - pool the assets contributed by various entities that are not under common control; and
 - use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the municipality that employs the employees concerned;
- Other long-term employee benefits as employee benefits (other than post-employment benefits and termination benefits) that is not due to be settled within twelve months after the end of the period in which the employees render the related service;
- Post-employment benefits as employee benefits (other than termination benefits) which are payable after the completion of employment;
- Post-employment benefit plans as formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees;
- Short-term employee benefits as employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service;
- State plans as plans other than composite social security programmes established by legislation which operate as if they are multi-employer plans for all entities in economic categories laid down in legislation;
- Termination benefits as employee benefits payable as a result of either:
 - an entity's decision to terminate an employee's employment before the normal retirement date; or
 - an employee's decision to accept voluntary redundancy in exchange for those benefits;
- Vested employee benefits as employee benefits that are not conditional on future employment.

The standard states the recognition, measurement and disclosure requirements of:

- Short-term employee benefits;
 - All short-term employee benefits;
 - Short-term compensated absences;
 - Bonus, incentive and performance related payments;
- Post-employment benefits: Defined contribution plans;
- Other long-term employee benefits;
- Termination benefits.

The standard states Post-employment benefits: Distinction between defined contribution plans and defined benefit plans:

- Multi-employer plans;
- Defined benefit plans where the participating entities are under common control;
- State plans;
- Composite social security programmes;
- Insured benefits.

The standard states, for Post-employment benefits: Defined benefit plans, the following requirements:

- Recognition and measurement;
- Presentation;
- Disclosure;
- Accounting for the constructive obligation;
- Statement of financial position;
- Asset recognition ceiling;
- Asset recognition ceiling: When a minimum funding requirement may give rise to a liability;
- Statement of financial performance.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The standard prescribes recognition and measurement for:

- Present value of defined benefit obligations and current service cost:
 - Actuarial valuation method;
 - Attributing benefits to periods of service;
 - Actuarial assumptions;
 - Actuarial assumptions: Discount rate;
 - Actuarial assumptions: Salaries, benefits and medical costs;
 - Actuarial gains and losses;
 - Past service cost.
- Plan assets:
 - Fair value of plan assets;
 - Reimbursements;
 - Return on plan assets.

The standard also deals with Entity combinations and Curtailments and settlements.

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality has early adopted the standard for the first time in the 2013 annual financial statements.

The impact of the standard is not material.

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions on the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality expects to adopt the standard for the first time in the 2014 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Additional text

- Additional text

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- Additional text
- Additional text

The effective date of the is for years beginning on or after .

The municipality expects to adopt the for the first time in the 2001 annual financial statements.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
3. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balances	-	3,415,102
Other cash and cash equivalents	130,566	128,566
Bank overdraft	(5,975,286)	-
	(5,844,720)	3,543,668
Current assets	130,566	3,543,668
Current liabilities	(5,975,286)	-
	(5,844,720)	3,543,668

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2013	30 June 2012	30 June 2011	30 June 2013	30 June 2012	30 June 2011
ABSA Bank - Cheque Account (Primary) - 405-289-8966	300,205	4,817,077	(2,681,253)	-	3,724,546	(61,356,152)
ABSA Bank - Cheque Account (Project) - 100-001-0223	40,803	280,913	1,516	-	(309,444)	(40,296)
Total	341,008	5,097,990	(2,679,737)	-	3,415,102	(61,396,448)

4. Consumer debtors

Gross balances

Rates	36,196,753	36,718,512
Electricity	18,275,520	17,745,583
Water	84,540,647	76,917,083
Sewerage	55,127,213	53,311,322
Refuse	74,088,266	67,338,667
VAT Billed	32,917,908	30,532,778
Other	105,489,801	90,143,243
	406,636,108	372,707,188

Less: Allowance for impairment

Rates	(31,032,120)	(30,865,346)
Electricity	(15,667,928)	(15,075,559)
Water	(72,478,202)	(65,335,734)
Sewerage	(47,261,540)	(45,289,993)
Refuse	(63,517,189)	(57,207,103)
VAT Billed	(28,221,108)	(25,938,747)
Other (specify)	(90,438,283)	(75,384,572)
	(348,616,370)	(315,097,054)

Net balance

Rates	5,164,633	5,853,166
Electricity	2,607,592	2,670,024
Water	12,062,445	11,581,349
Sewerage	7,865,673	8,021,329
Refuse	10,571,077	10,131,564
VAT Billed	4,696,800	4,594,031
Other (specify)	15,051,518	14,758,671
	58,019,738	57,610,134

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
4. Consumer debtors (continued)		
Rates		
Current (0 -30 days)	37,077	1,415,856
31 - 60 days	3,224,292	1,969,473
61 - 90 days	1,903,264	1,595,178
91 - 120 days	-	872,659
	5,164,633	5,853,166
Electricity		
Current (0 -30 days)	2,607,592	2,670,024
Water		
Current (0 -30 days)	3,705,973	3,836,732
31 - 60 days	3,092,409	2,466,163
61 - 90 days	2,081,315	2,482,888
91 - 120 days	2,472,053	2,239,641
121 - 365 days	710,695	555,925
	12,062,445	11,581,349
Sewerage		
Current (0 -30 days)	2,726,143	2,847,499
31 - 60 days	1,601,249	1,763,496
61 - 90 days	1,394,569	1,634,584
91 - 120 days	1,284,050	1,588,029
121 - 365 days	859,662	187,721
	7,865,673	8,021,329
Refuse		
Current (0 -30 days)	2,462,153	2,808,559
31 - 60 days	1,869,772	2,235,180
61 - 90 days	1,784,511	2,156,036
91 - 120 days	1,754,380	2,115,079
121 - 365 days	2,700,261	816,710
	10,571,077	10,131,564
VAT Billed		
Current (0 -30 days)	2,391,905	2,738,626
31 - 60 days	1,236,030	1,082,811
61 - 90 days	864,730	772,594
91 - 120 days	204,135	-
	4,696,800	4,594,031
Other (specify)		
Current (0 -30 days)	2,335,001	2,754,650
31 - 60 days	2,226,214	2,166,430
61 - 90 days	2,089,797	1,999,557
91 - 120 days	2,263,494	2,118,841
121 - 365 days	4,331,083	3,916,141
>365 days	1,805,929	-
Debtors not included in the age analysis	-	1,980,781
Unreconciled difference	-	(177,729)
	15,051,518	14,758,671

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
4. Consumer debtors (continued)		
Summary of debtors by customer classification		
Consumers / Industrial / Commercial		
Current (0 -30 days)	19,298,578	22,158,150
31 - 60 days	14,158,353	12,074,828
61 - 90 days	10,428,055	10,940,185
91 - 120 days	9,892,154	10,414,377
121 - 365 days	68,203,381	73,595,196
> 365 days	271,165,479	229,251,709
	393,146,000	358,434,445
Less: Allowance for impairment	(348,616,370)	(315,097,054)
	44,529,630	43,337,391
National and provincial government		
Current (0 -30 days)	2,362,717	3,841,277
31 - 60 days	1,447,008	733,779
61 - 90 days	636,237	567,962
91 - 120 days	617,187	446,943
121 - 365 days	3,822,323	3,023,995
> 365 days	4,604,634	3,855,735
	13,490,106	12,469,691
Total		
Current (0 -30 days)	21,661,295	25,999,428
31 - 60 days	15,605,361	12,808,607
61 - 90 days	11,064,293	11,508,147
91 - 120 days	10,509,341	10,861,319
121 - 365 days	72,025,704	76,619,191
> 365 days	275,770,114	233,107,444
	-	1,980,781
Less: Allowance for impairment	-	(177,729)
	406,636,108	370,904,136
Less: Provision for debt impairment	(348,616,370)	(315,097,054)
	58,019,738	57,610,134
Less: Provision for debt impairment		
Current (0 -30 days)	(5,395,451)	(6,927,481)
31 - 60 days	(2,355,395)	(1,125,054)
61 - 90 days	(946,109)	(867,312)
91 - 120 days	(2,531,229)	(1,927,071)
121 - 365 days	(63,424,001)	(71,142,692)
> 365 days	(273,964,185)	(233,107,444)
	(348,616,370)	(315,097,054)
Total debtor past due but not impaired		
Current (0 -30 days)	16,265,844	16,333,320
31 - 60 days	13,249,966	10,600,742
61 - 90 days	10,118,184	9,868,242
91 - 120 days	7,978,112	8,934,248
121 - 365 days	8,601,703	5,476,499
> 365 days	1,805,928	-
	58,019,737	51,213,051

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
4. Consumer debtors (continued)		
Reconciliation of allowance for impairment		
Balance at beginning of the year	(315,097,054)	(230,192,284)
Contributions to allowance	(86,051,119)	(84,904,770)
Debt impairment written off against allowance	52,531,803	-
	(348,616,370)	(315,097,054)
Fair value of consumer debtors		
Consumer debtors	58,019,738	57,610,134
Consumer debtors impaired		
As of 30 June 2013, consumer debtors of R 348,616,370 (2012: R 315,097,054) were impaired and provided for.		
The amount of the provision was R 86,051,119 as of 30 June 2013 (2012: R 84,904,770).		
5. Inventories		
Consumable stores	377,938	415,770
Water	87,620	84,589
Fuel (Diesel, Petrol)	285,902	275,287
Stores, materials and fuels	659,215	140,408
	1,410,675	916,054
6. Other financial assets		
At amortised cost		
Sanlam short-term deposit	700,330	664,129
The short-term deposit at Sanlam is fixed and matures at a future date.		
ABSA short-term deposit	141,143	130,048
The short-term deposit at ABSA is fixed and matures at a future date.		
Listed co-operative fund - OVK	123,569	96,698
The unlisted investment consists of:		
8 662 shares in Oos Vrystaat Kaap Operations Ltd. @ R7,50 (2012:R7,00)		
9 016 shares in Oos Vrystaat Kaap Holdings Ltd. @ R6,50 (2012:R4,00)		
Listed investment - Sanlam	191,774	149,042
4 196 shares in Sanlam @ R46,00 (2012:R35,75)		
	1,156,816	1,039,917
Non-current assets		
At amortised cost	315,343	245,740
Current assets		
At amortised cost	841,473	794,177

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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7. Receivables from exchange transactions

Trade debtors	11,092,264	11,837,452
Other receivables	8,337	8,337
Pre-paid electricity from third party vendors	545,815	571,842
Fair value adjustment on trade receivables	(476,424)	(1,469,681)
Bank errors	23,476	10,393
	11,193,468	10,958,343

8. Receivables from non-exchange transactions

Other receivables from non-exchange revenue	3,563,756	4,624,317
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9. Intangible assets

	2013			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	1,983,342	(1,949,498)	33,844	1,983,342	(1,723,489)	259,853

Reconciliation of intangible assets - 2013

	Opening balance	Amortisation	Total
Computer software, other	259,853	(226,009)	33,844

Reconciliation of intangible assets - 2012

	Opening balance	Amortisation	Total
Computer software, other	888,918	(629,065)	259,853

10. Investment property

	2013			2012		
	Cost / Valuation	Fair value adjustments	Carrying value	Cost / Valuation	Fair value adjustments	Carrying value
Investment property	76,471,194	-	76,471,194	76,471,194	-	76,471,194

Reconciliation of investment property - 2013

	Opening balance	Total
Investment property	76,471,194	76,471,194

Reconciliation of investment property - 2012

	Opening balance	Total
Investment property	76,471,194	76,471,194

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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10. Investment property (continued)

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

At initial recognition, the municipality measures Investment Property at cost and the fair value model is applied to Investment Property for subsequent measurement. Under the fair value model, Investment Property is carried at its fair value at the reporting date.

The fair value of the property is supported by market evidence.

Revaluations were performed by an independent valuator, Mr Arthur Lelosa Independent Valuers, who holds a recognised and relevant qualification, during 2009. No valuations were done in 2013 due to non significant changes in the property market. A certificate to this extent was received from the above-mentioned valuator.

There are no restrictions on the reliability of Investment Property or the remittance of revenue and proceeds on disposal.

The new valuation roll will be implemented from 1 July 2013.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Motor vehicles	14,092,029	(8,128,589)	5,963,440	15,428,945	(8,101,320)	7,327,625
Office equipment	8,915,722	(5,981,410)	2,934,312	11,766,896	(6,521,140)	5,245,756
Bins and containers	1,257,505	(738,441)	519,064	1,257,505	(654,695)	602,810
Emergency equipment	305,094	(173,839)	131,255	306,656	(124,262)	182,394
Furniture and equipment	3,898,718	(2,937,025)	961,693	3,497,023	(1,631,049)	1,865,974
Security equipment	3,502,749	(6,137)	3,496,612	6,139	(5,025)	1,114
Plant and equipment	14,824,604	(8,374,558)	6,450,046	16,421,370	(8,316,334)	8,105,036
Infrastructure - Water	354,369,271	(61,206,915)	293,162,356	344,764,128	(49,057,575)	295,706,553
Infrastructure - Sewer	330,441,100	(64,531,426)	265,909,674	328,335,389	(52,516,778)	275,818,611
Infrastructure Roads	337,213,968	(95,961,670)	241,252,298	324,405,929	(76,729,508)	247,676,421
Infrastructure - Electricity	148,103,647	(33,737,436)	114,366,211	147,524,418	(26,863,617)	120,660,801
Community Assets - Land	141,407,863	-	141,407,863	107,931,863	-	107,931,863
Community Assets - Buildings	178,631,532	(41,744,805)	136,886,727	183,943,674	(33,353,815)	150,589,859
Infrastructure solid waste - Land	4,605,363	-	4,605,363	4,605,363	-	4,605,363
Infrastructure solid waste - Buildings	11,545,658	(2,635,892)	8,909,766	11,545,658	(2,104,400)	9,441,258
Leased assets	-	1	1	-	1	1
Land - owned	425,620,460	-	425,620,460	426,331,762	(711,302)	425,620,460
Railways	48,755,739	(13,543,261)	35,212,478	48,755,739	(10,834,609)	37,921,130
Game stock	1,299,900	-	1,299,900	1,299,900	-	1,299,900
Work-in-progress	149,360,583	-	149,360,583	101,489,098	-	101,489,098
Total	2,178,151,505	(339,701,403)	1,838,450,102	2,079,617,455	(277,525,428)	1,802,092,027

The increase in the fair value of game stock was done in accordance with the latest available prices of game auctions.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Transfers	Accumulated depreciation on disposals / write-offs / impairment	Depreciation	Total
Motor vehicles	7,327,625	-	(1,528,984)	-	1,459,842	(1,295,043)	5,963,440
Office equipment	5,245,756	666,784	(3,517,959)	-	2,774,699	(2,234,968)	2,934,312
Bins and containers	602,810	-	-	-	-	(83,746)	519,064
Emergency equipment	182,394	-	(1,562)	-	691	(50,268)	131,255
Furniture and equipment	1,865,974	667,450	(273,953)	-	144,151	(1,441,929)	961,693
Security equipment	1,114	3,496,610	-	-	-	(1,112)	3,496,612
Plant and equipment	8,105,036	265,083	(1,861,800)	-	1,699,309	(1,757,582)	6,450,046
Infrastructure - Water	295,706,553	9,605,143	-	-	-	(12,149,340)	293,162,356
Infrastructure - Sewer	275,818,611	2,105,711	-	-	-	(12,014,648)	265,909,674
Infrastructure Roads	247,676,421	12,808,038	-	-	-	(19,232,161)	241,252,298
Infrastructure - Electricity	120,660,801	579,229	-	-	-	(6,873,819)	114,366,211
Community Assets - Land	107,931,863	1,400,000	-	32,076,000	-	-	141,407,863
Community Assets - Buildings	150,589,859	26,763,858	-	(32,076,000)	-	(8,390,990)	136,886,727
Infrastructure solid waste - Land	4,605,363	-	-	-	-	-	4,605,363
Infrastructure solid waste - Buildings	9,441,258	-	-	-	-	(531,492)	8,909,766
Leased assets	1	-	-	-	-	-	1
Railways	37,921,130	-	-	-	-	(2,708,652)	35,212,478
Land - owned	425,620,460	-	-	-	-	-	425,620,460
Game stock	1,299,900	-	-	-	-	-	1,299,900
Work-in-progress	101,489,098	47,871,485	-	-	-	-	149,360,583
	1,802,092,027	106,229,391	(7,184,258)	-	6,078,692	(68,765,750)	1,838,450,102

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Accumulated depreciation on disposals / write-offs	Depreciation	Total
Motor vehicles	8,552,458	-	(653,039)	294,535	(866,329)	7,327,625
Office equipment	6,096,375	755,609	(216,554)	57,978	(1,447,652)	5,245,756
Bins and containers	679,135	-	-	-	(76,325)	602,810
Emergency equipment	241,079	-	(50,363)	12,742	(21,064)	182,394
Furniture and equipment	1,865,975	1,017,888	(766,163)	53,929	(305,655)	1,865,974
Security equipment	1,393	-	-	-	(279)	1,114
Plant and equipment	8,842,381	648,794	(593,409)	379,090	(1,171,820)	8,105,036
Infrastructure - Water	304,846,998	4,379,303	(1,213,555)	119,134	(12,425,327)	295,706,553
Infrastructure - Sewer	269,146,853	21,633,409	(2,339,915)	746,461	(13,368,197)	275,818,611
Infrastructure Roads	250,912,002	17,815,262	(683,039)	317,631	(20,685,435)	247,676,421
Infrastructure - Electricity	123,937,580	3,708,479	(198,515)	147,626	(6,934,369)	120,660,801
Community Assets - Land	107,931,863	-	-	-	-	107,931,863
Community Assets - Buildings	156,449,700	2,602,126	-	-	(8,461,967)	150,589,859
Infrastructure solid waste - Land	4,605,363	-	-	-	-	4,605,363
Infrastructure solid waste - Buildings	9,792,333	176,500	-	-	(527,575)	9,441,258
Leased assets	15,731	-	-	-	(15,730)	1
Railways	40,629,782	-	-	-	(2,708,652)	37,921,130
Land - owned	425,716,517	14,102	-	-	(110,159)	425,620,460
Game stock	1,667,200	-	(367,300)	-	-	1,299,900
Work-in-progress	57,264,975	63,918,665	(19,694,542)	-	-	101,489,098
	1,779,195,693	116,670,137	(26,776,394)	2,129,126	(69,126,535)	1,802,092,027

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
12. Consumer deposits		
Water and Electricity	3,774,277	3,587,147
13. Other financial liabilities		
At amortised cost		
Development Bank of Southern Africa (DBSA) 61006906 The loan was re-scheduled in September 2011 and the repayment terms have been re-negotiated. The loan bears interest at a nominal rate of 10% per annum. The loan shall be repaid in 44 quarterly installments commencing on 1 October 2011 of R1 516 391. The loan will be redeemed on 31 December 2022.	36,509,501	38,698,314
Infrastructure Finance Corporation Limited (INCA) The loan bears interest at a fixe rate of 14.52% per annum. The monthly installments are R114 870,41 over an initial period of 120 months. There is 1 installment remaining and the loan will be redeemed on 31 July 2013.	113,520	1,377,746
Infrastructure Finance Corporation Limited (INCA) The loan bears interest at a fixed rate of 14,00% compounded monthly. The monthly installments are R46 914,40 over an initial period of 120 months. There are 4 installments remaining and the loan will be redeemed on 30 November 2013.	226,501	719,455
	36,849,522	40,795,515
Total other financial liabilities	36,849,522	40,795,515
Non-current liabilities		
At amortised cost	34,054,350	36,830,023
Current liabilities		
At amortised cost	2,795,172	3,965,492
14. Payables from exchange transactions		
Trade payables	139,606,183	84,617,368
Consumer debtors with credit balances	5,069,556	5,024,242
Accrued leave pay	13,074,687	11,338,814
Accrued bonus	3,804,804	3,585,864
Deposits received	47,203	3,807
Sundry Creditors	18,870,372	23,529,567
	180,472,805	128,099,662
15. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Department of Water Affairs Grant	7,011,811	7,995,588
COGTA Grant	-	1,286,362
Library Grant	500,000	-
	7,511,811	9,281,950

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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15. Unspent conditional grants and receipts (continued)

Movement during the year

Balance at the beginning of the year	9,281,950	5,701,140
Additions during the year	35,610,699	34,387,437
Income recognition during the year	(37,380,838)	(30,806,627)
	7,511,811	9,281,950

16. VAT payable

Debtors VAT Accrued	31,898,151	29,522,084
VAT Refundable	(29,456,040)	(17,646,933)
	2,442,111	11,875,151

17. Long service awards

The long service awards valuation was performed by ZAQ Consultants and Actuaries for the period ended 30 June 2012 and 30 June 2013.

This is the first time that the municipality performs a valuation of its Long Service Award liabilities.

The long service awards valuation report is available for inspection at the Municipality.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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18. Provisions

Reconciliation of provisions - 2013

	Opening Balance	Additions	Reversed during the year	Total
Environmental rehabilitation	34,864,664	-	(86,151)	34,778,513
Illegal corner dumping	445,500	540,000	-	985,500
	35,310,164	540,000	(86,151)	35,764,013

Reconciliation of provisions - 2012

	Opening Balance	Reversed during the year	Total
Environmental rehabilitation	36,013,343	(1,148,679)	34,864,664
Illegal corner dumping	531,900	(86,400)	445,500
	36,545,243	(1,235,079)	35,310,164

Environmental rehabilitation provision

The new dumping site became operational on 1 December 2010 as the old dumping site was closed. On a monthly basis the site is filled with approximately 13 212 cubic meters of cover material, garden waste, industrial waste and building rubble. The landfill site was assessed by Metsi Metseng Geological & Environmental Services and based on the assessment, the provision for the rehabilitation and the closure of the landfill site was calculated over a period of 20 years.

The following key assumptions were made that can impact considerably on the calculation of the provision if they change:

- provision was made to dispose of 2 658 762 cubic metre waste that will fill an area of 129 600 square metres x 18 metres high over a lifespan of 20 years
- an average disposal tempo of 158 cubic metres per day over the 20 year lifespan was used for costing calculations
- an annual inflationary increase of 7,5% was used for the projected cost

Proper management of the site will increase the number of years of operation and will ensure that environmental compliance is adhered to. The timing of the cashflow is uncertain.

The discounted cash flow method was used to calculate the yearly provision.

Illegal corner dumping

The calculation was done by the Municipality and it is based on the number of machine and man hours that is needed to clear the illegal corner dumps. The timing of the cash flow is uncertain.

19. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

The amounts recognised in the statement of financial position are as follows:

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(27,375,000)	(24,452,984)
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Changes in the present value of the defined benefit obligation are as follows:

Opening balance	(24,452,984)	(25,580,984)
Net expense recognised in the statement of financial performance	(2,922,016)	1,128,000
	(27,375,000)	(24,452,984)

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2013

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19. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

Current service cost	(345,448)	(438,000)
Interest cost	(1,285,274)	(1,514,000)
Benefits paid	1,510,869	1,564,000
Actuarial gains / (loss)	(2,802,163)	1,516,000
Total included in employee related costs	(2,922,016)	1,128,000

Key assumptions used

The post retirement medical aid liability is valued on a generally accepted actuarial valuation method. The liability was calculated on a member-by-member basis, taking into account the liabilities arising in respect of principal members and their spouses. Ages are calculated as age last birthday on 30 June 2013.

The projected unit credit method was used as prescribed by IAS 19 and GRAP 25. This method is based on the approximation that the post-retirement benefit is notionally built up over the employees' working life.

The actuarial valuation of the PRMA liability involves the following:

- the projection of future post-retirement medical contribution subsidy cashflows, taking into account the probabilities of survival, withdrawal, ill-health retirement, early retirement and death in service.
- the medical contribution subsidies arising in respect of adult dependents of employees.
- increasing the projected subsidy cashflows in line with expected long-term contribution escalation.
- discounting these cashflows in order to express the PRMA liability in current Rand terms.

Discount rate	7.89 %	8.75 %
Consumer price inflation	6.14 %	5.75 %
Medical aid contribution inflation	7.14 %	7.67 %
Maximum subsidy increase rate (Net effective discount rate)	0.70 %	1.00 %

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose. All councillors and employees belong to three defined benefit retirement funds. One fund is administered by the Provincial Pension Fund. The last actuarial valuation as at 30 June 2005 are in the process of being finalised and will be submitted to the Municipality once approved by the executive committee of the fund. Information could not be obtained for the other two funds regarding the administrators nor the actuaries.

The municipality is under no obligation to cover any unfunded benefits.

20. Revenue

Rendering of services	1,543,677	1,507,462
Service charges	265,410,619	244,118,181
Rental of facilities and equipment	3,555,596	2,953,055
Interest received - accounts receivable	23,060,999	19,858,218
Licences and permits	86,343	27,564
Other income	3,122,519	4,031,169
Interest received - investment	11,095	9,420
Dividends received	5,460	-
Property rates	66,850,440	67,323,155
Government grants & subsidies	223,980,838	190,544,628
Fines	4,571,578	641,082
	592,199,164	531,013,934

Dihlabeng Local Municipality

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20. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	265,410,619	244,118,181
Rendering of services	1,543,677	1,507,462
Rental of facilities and equipment	3,555,596	2,953,055
Interest received - accounts receivable	23,060,999	19,858,218
Licences and permits	86,343	27,564
Other income	3,122,519	4,031,169
Interest received - investment	11,095	9,420
Dividends received	5,460	-
	296,796,308	272,505,069

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue

Property rates	66,850,440	67,323,155
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Transfer revenue

Government grants & subsidies	223,980,838	190,544,628
Fines	4,571,578	641,082
	295,402,856	258,508,865

21. Property rates

Rates received

Property rates	66,850,440	67,323,155
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Valuations

Valuations on land and buildings are performed every four years. The last general valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of R0.0068 (2012:R0.0064) is applied to residential and small holding property valuations to determine the assessment rates. A rebate of R22 000 (2012:22 000) is granted to residential properties and a further 25% (2012:25%) rebate to pensioners.

A general rate of R0.0198 (201:R0.0187) is applied to business, industrial, commercial and public service infrastructure to determine the assessment rates. A rebate of 50% (2012:50%) is granted to public service infrastructure only.

A general rate of R0.0068 (2012:R0.0064) is applied to farms to determine the assessment rates. A rebate of 85% (2012:85%) is granted to farmers and a further rebate of 0% (2012:25%) was granted. The rebates granted to farmers are done in accordance with S21 of the Municipal Property Rates Act No.6 of 2004.

Rates for farmers and national government are levied on an annual basis with the final date for payment being 07 August 2012. Rates for other consumers are levied on a monthly basis with the final date for payment before the 7th of each month. Interest at prime plus 1% per annum (2012:prime plus 1%) is levied on rates outstanding after due date.

The new general valuation will be implemented on 01 July 2013.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2013

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Figures in Rand	2013	2012
22. Service charges		
Sale of electricity	145,335,427	129,196,801
Sale of water	44,800,888	44,654,351
Sewerage and sanitation charges	38,026,001	35,899,369
Refuse removal	37,248,303	34,367,660
	265,410,619	244,118,181

Dihlabeng Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2013	2012
23. Government grants and subsidies		
Operating grants		
Equitable share	124,496,000	112,445,000
Expanded Public Works Programme Grant	1,000,000	-
Municipal Systems Improvement Grant	800,000	790,000
Equitable Share - Councillors Remuneration Grant	4,871,000	2,406,000
Financial Management Grant	1,500,000	1,450,000
	132,667,000	117,091,000
Capital grants		
Municipal Infrastructure Grant	51,733,000	42,647,000
Department of Water Affairs Grant	36,094,476	26,391,850
Water Services Operating Grant	2,200,000	-
COGTA Grant	1,286,362	4,414,778
	91,313,838	73,453,628
	223,980,838	190,544,628
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	91,314,338	73,453,628
Unconditional grants received	133,166,500	117,091,000
	224,480,838	190,544,628
Equitable Share		
Current-year receipts	124,496,000	112,445,000
Conditions met - transferred to revenue	(124,496,000)	(112,445,000)
	-	-
The equitable share allocation was fully utilised during the financial year.		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
Equitable Share - Councillors Remuneration Grant		
Current-year receipts	4,871,000	2,406,000
Conditions met - transferred to revenue	(4,871,000)	(2,406,000)
	-	-
The councillors remuneration grant was fully utilised during the financial year.		
Municipal Infrastructure Grant		
Current-year receipts	51,733,000	42,647,000
Conditions met - transferred to revenue	(51,733,000)	(42,647,000)
	-	-
The municipal infrastructure grant was fully utilised during the financial year.		
Municipal Systems Improvement Grant		
Current-year receipts	800,000	790,000
Conditions met - transferred to revenue	(800,000)	(790,000)

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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23. Government grants and subsidies (continued)

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The municipal systems improvement grant was fully utilised during the financial year.

Financial Management Grant

Current-year receipts	1,500,000	1,450,000
Conditions met - transferred to revenue	(1,500,000)	(1,450,000)
	-	-

The financial management grant was fully utilised during the financial year.

Expanded Public Works Programme Grant

Current-year receipts	1,000,000	-
Conditions met - transferred to revenue	(1,000,000)	-
	-	-

The expanded public works grant was fully utilised during the year.

Department of Water Affairs Grant

Balance unspent at beginning of year	7,995,588	-
Current-year receipts	35,110,699	34,387,437
Conditions met - transferred to revenue	(36,094,476)	(26,391,849)
	7,011,811	7,995,588

The grant is utilised for the upgrading of the water infrastructure network to Paul Roux and Rosendal.

COGTA Grant

Balance unspent at beginning of year	1,286,362	5,701,140
Conditions met - transferred to revenue	(1,286,362)	(4,414,778)
	-	1,286,362

Conditions still to be met - remain liabilities (see note 15).

The unspent portion of the COGTA grant will be utilised during the forthcoming financial year for the finalisation and upgrading of the sport stadium.

Library Grant

Conditions still to be met - remain liabilities (see note 15).

Provide explanations of conditions still to be met and other relevant information.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 5 of 2012), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

Dihlabeng Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2013	2012
24. Other income		
Sundry Income	1,034,022	2,056,241
Insurance Excess Payments	5,062	25,022
Abnormal freight	34,914	8,076
Sale of library books	615	162
Sales from pound	17,024	65,898
Sundry income from traffic offences	18,792	3,060
Skills Development Levy refund	675,656	792,660
Service centre levies	-	1,315
Railway sidings	64,572	63,699
Copies and faxes	7,137	8,167
Parking meters	9,831	23,270
Municipal gravel roads levy	-	(933)
Airport landing charges	11,850	3,300
Advertising signs	216,913	476,370
Blocked sewerage fees	15,174	16,044
Building plan fees	346,458	270,398
Clearance certificates	104,093	59,574
Encroachment fees	223,548	153,954
Sundry income electricity	336,858	2,941
Sundry income parks	-	1,951
	3,122,519	4,031,169

Dihlabeng Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2013	2012
25. General expenses		
Operating lease expenditure	1,672,512	870,045
Advertising	(108,521)	685,317
Auditors remuneration	4,688,405	3,057,064
Bank charges	1,093,166	917,746
Commission paid	1,324,110	-
Actuarial (gain) / loss on employee benefits	2,802,163	(1,515,128)
Consulting and professional fees	12,702,563	19,891,121
Consumables	125,269	198,040
Delivery expenses	594,351	-
Donations	1,251,404	2,206,103
Entertainment	895,907	223,125
Fines and penalties	78,050	245,918
Audit committee sitting allowance	23,614	57,601
Hire	28,485,195	1,723,322
Insurance	7,451,072	4,799,416
Community development and training	7,795,751	2,645,908
Incorporation costs	-	43,004
Marketing	-	25,489
Promotions and sponsorships	309,164	455,501
Magazines, books and periodicals	-	939
Civic funerals	-	161,387
Pauper burials	62,926	250,380
Fuel and oil	7,947,778	10,742,996
Penalties on VAT	735,757	434,377
Postage and courier	893,512	1,402,326
Printing and stationery	654,512	552,571
Town planning costs	-	10,500
Royalties and license fees	2,961,869	820,838
Secretarial fees	411,509	462,120
Security (Guarding of municipal property)	10,065,926	7,842,760
Staff welfare	-	6,300
Subscriptions and membership fees	3,912,757	2,212,946
Telephone and fax	2,652,601	2,217,409
Training	2,351,927	1,653,262
Travel - local	1,249,574	1,316,360
Assets expensed	1,092,238	418,102
Uniforms	573,954	238,649
Contribution capital expenditure	(2,316,781)	3,756,371
Bursaries	2,122,605	2,344,862
Best practice for councillors	-	112,134
Rehabilitation of dumping site	8,411,681	9,307,128
Rehabilitation of landfill site	453,849	(1,235,079)
Loss on assets written off	1,028,275	-
Chemicals	950,485	1,175,764
Hostel charges	(6)	-
	117,401,123	82,734,994

Dihlabeng Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2013	2012
26. Employee costs		
Basic	92,691,302	84,264,415
Bonus	8,054,905	7,662,890
Medical aid - company contributions	10,279,760	8,788,261
UIF	1,014,728	943,046
Other payroll levies	58,018	41,326
Leave pay provision charge	2,895,240	3,432,247
Post-employment benefits - Pension - Defined contribution plan	2,434,353	1,244,862
Overtime payments	6,944,791	5,616,943
Standby allowances	4,083,641	3,538,016
Car allowance	4,506,923	3,867,337
Housing benefits and allowances	312,038	310,612
Group life insurance	171,556	104,219
Pension funds	16,392,191	15,256,897
Other allowances	581,850	754,972
Telephone allowance	448,227	394,550
Relief payment	619,464	562,257
	151,488,987	136,782,850
Remuneration of municipal manager		
Annual Remuneration	848,673	797,027
Car Allowance	360,530	328,327
Leave Payout	-	266,429
Contributions to UIF, Medical and Pension Funds	163,442	158,193
Cellphone allowance	18,000	18,000
	1,390,645	1,567,976
Remuneration of chief finance officer		
Annual Remuneration	834,726	724,421
Car Allowance	289,219	251,988
Contributions to UIF, Medical and Pension Funds	12,968	12,432
Cellphone allowance	12,000	12,000
Leave Payout	-	115,097
	1,148,913	1,115,938
Remuneration of director public works		
Annual Remuneration	834,726	724,421
Car Allowance	309,224	248,553
Contributions to UIF, Medical and Pension Funds	12,411	11,984
Cellphone allowance	12,000	12,000
Other	-	129,948
	1,168,361	1,126,906
Remuneration of director corporate services		
Annual Remuneration	347,803	723,929
Car Allowance	119,205	246,072
Contributions to UIF, Medical and Pension Funds	6,283	11,198
Leave payout	100,538	96,430
Cellphone allowance	5,000	12,000
	578,829	1,089,629

Dihlabeng Local Municipality

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26. Employee costs (continued)

The director corporate services, Mr MES Motshwalo, resigned on 30 November 2012. Since 1 December 2012 the position is vacant.

Remuneration of director community services

Annual Remuneration	834,726	195,990
Car Allowance	292,200	65,454
Contributions to UIF, Medical and Pension Funds	13,039	2,888
Cellphone Allowance	12,000	3,000
Leave payout	62,837	-
	1,214,802	267,332

Remuneration director of local economic development

Annual Remuneration	834,726	492,624
Car Allowance	287,428	169,476
Contributions to UIF, Medical and Pension Funds	13,123	9,406
Leave payout	71,215	198,904
Cellphone allowance	12,000	8,000
	1,218,492	878,410

27. Remuneration of councillors

Executive Mayor	700,538	667,106
Speaker	573,210	562,808
Councillors	11,786,277	11,658,350
	13,060,025	12,888,264

28. Debt impairment

Debt impairment	86,051,120	84,904,693
Debts impaired	-	803,893
	86,051,120	85,708,586

Debt impairment was calculated by analysing the debtors arrear accounts and classifying them into different categories according to the frequency of payments made.

29. Investment revenue

Dividend revenue

Dividend	5,460	-
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Interest revenue

ABSA	11,095	9,420
	16,555	9,420

The amount included in Investment revenue arising from non-exchange transactions amounted to R 11,095 (2011:R9,420)

Total interest income, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to R11,095 (PY: R9,420).

Dihlabeng Local Municipality

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Figures in Rand	2013	2012
30. Fair value adjustments		
Other financial assets / liabilities		
• Loans and Receivables	993,257	281,136
• Investments	105,932	82,900
• Accounts Payable	(4,181,088)	5,855,381
	(3,081,899)	6,219,417
31. Depreciation, impairment and amortisation		
Property, plant and equipment	914,158	3,033,878
Intangible assets	226,009	629,065
Infrastructure assets	67,394,003	63,790,955
	68,534,170	67,453,898
32. Finance costs		
Trade and other payables	-	(136,454)
Penalties and Interest on late payment of VAT	1,052,250	876,976
Other interest paid	14,806,136	5,478,920
	15,858,386	6,219,442
33. Auditors' remuneration		
Fees	4,688,405	3,057,064
34. Rental of facilities and equipment		
Premises		
Premises	2,596,252	2,639,215
Venue hire	3,934	4,107
	2,600,186	2,643,322
Facilities and equipment		
Rental of equipment	955,410	309,733
	3,555,596	2,953,055
35. Contracted services		
Meter reading services	2,008,159	2,533,104
36. Bulk purchases		
Electricity	117,930,942	83,154,096

Dihlabeng Local Municipality

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Figures in Rand	2013	2012
37. Cash generated from operations		
(Deficit) surplus	(14,671,813)	27,573,144
Adjustments for:		
Depreciation and amortisation	70,664,001	67,453,898
(Loss) gain on sale of assets and liabilities	(864,825)	2,313,798
Fair value adjustment on game stock	-	367,300
Fair value adjustments	2,998,999	(7,248,722)
Finance costs - Finance leases	-	5,079
Interest income	(9,420)	(30,274)
Finance costs	6,219,442	7,840,063
Debt impairment	86,051,120	85,708,586
Movements in retirement benefit assets and liabilities	2,922,016	(1,128,000)
Movements in provisions	453,849	(1,235,079)
Other non-cash items	68,895,914	-
Changes in working capital:		
Inventories	(494,621)	(108,167)
Receivables from exchange transactions	(92,833,732)	(93,065,577)
Other receivables from non-exchange transactions	593,591	(2,664,773)
Consumer debtors	6,604,853	8,313,164
Payables from exchange transactions	53,585,198	67,052,689
VAT	(9,433,044)	(1,945,467)
Unspent conditional grants and receipts	(1,770,139)	3,580,810
Consumer deposits	14,198	-
	178,925,587	162,782,472

38. Commitments

Authorised capital and operational expenditure

Capital Expenditure

• Property, plant and equipment	100,007,347	113,372,980
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Operational Expenditure

• Rehabilitation of landfill site	3,137,280	13,333,440
• Repairs and maintenance	2,371,728	5,295,767
• Valuation Roll	192,817	2,600,000
• Clarens Conservancy fees	70,000	70,000
	5,771,825	21,299,207

The committed expenditure of the following can not be determined due the variable nature of the contract:

Project Description:	CYBKO Security Services	
Project Value:	R 230 per guard per month	
Expenditure to date:	R 11 094 348 (2013)	R 1 415 744 (2012)
Project Description:	Isintu Projects - Suction of toilets in Rosendal and Paul Roux	
Project Value:	R 608 per toilet	
Expenditure to date:	R 5 798 518 (2013)	R 3 097 039 (2012)
Project Description:	TMT Services and Suppliers (Pty) Ltd	
Project Value:	R 23,63 per notice and R55,11 per infringement	
Expenditure to date:	R 2 307 178 (2013)	

Dihlabeng Local Municipality

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39. Contingencies

The following civil cases are currently being finalised:

Mothibede Matshele:

This case is handled by Breytenbach Mavuso Attorneys. The claim is for an outstanding payment of R60 000,00 and is claimed from Mr M E Matshele the former Municipal Manager for unauthorized expenditure. No liability for Council.

GD Van Zyl:

This case is handled by Breytenbach Mavuso Attorneys and is regarding the sale of a site in Fouriesburg to Mr van Zyl on the site a municipal pump station is erected and no servitude is registered. The liability could be R150 000,00.

Loch Athlone Invesments (Pty) Ltd:

This case is handled by Breytenbach Mavuso Attorneys. There is an application to demolish six buildings. We are still awaiting information from the Building Department to proceed with the Application in the High Court in Bloemfontein. At this stage the Defendant is negotiating with Mr Provis. No liability for Council.

Khanyeng High School:

This case relates to the non-payment of water and electricity services. R593 733,07 & R449 979,36. This case is handled by Breytenbach Mavuso Attorneys. We are proceeding with judgment for the first amount and a new summons was issued in the High Court for the second amount. No liability for Council.

Thabo Mofutsanyana District Municipality:

This case is handled by Breytenbach Mavuso Attorneys. Breytenbach Mavuso is acting for a lot of defendants against Thabo Mofutsanyana. In the trial case the Judge has given judgment against Thabo Mofutsanyana on our exception. They are now trying to appeal in this matter so we are waiting to see what will happen. National Treasury indicated that they will intervene in this matter but no further response was received. No liability at this stage.

Lezmin 1163 CC:

The case is for a Court Order to demolish certain buildings. This case is handled by Breytenbach Mavuso Attorneys and is regarding the erection of illegal structures. No liability for Council.

Ramakatane T J:

This case is handled by Breytenbach Mavuso Attorneys. Judgment was granted in the amount of R900 000,00 plus interest and costs in the High Court. We are in the process of attaching the property of Mr and Mrs Ramakatane for sale in execution. No liability for Council.

Orca Inflatable Boat Building/K Potgieter:

This case is handled by Breytenbach Mavuso Attorneys. We made contact with the Liquidator and requested him to arrange for a meeting so that a possible Section 417 Inquiry into the affairs of the Defendant can be conducted. No liability for Council.

LAK Investments/Upper Clarens Estate:

This case is handled by Breytenbach Mavuso Attorneys. This is a defended matter in which the Defendant wants to negotiate. We are waiting for dates to proceed with negotiations. No liability for Council.

Makitikiti:

This case is handled by Breytenbach Mavuso Attorneys. We are at this present time awaiting further instructions from client regarding the consultation between Dihlabeng Local Municipality and Mr Makitikiti. No liability for Council.

Mr J Prinsloo (Electrician Section):

This case is handled by Breytenbach Mavuso Attorneys. In this case the employee was injured on duty and the Department of Labour referred the matter to court to establish negligence. In the meantime this official resigned. Liability cannot be established at this stage.

Apex Entertainment:

This case is handled by Breytenbach Mavuso Attorneys. An amount of R60 100,00 was paid to Apex Entertainment and no services was delivered. No liability for Council.

M M Mahlalela:

This case is handled by Breytenbach Mavuso Attorneys. Mr Mahlalela the previous Chief Financial Officer in his last week at work reported that his laptop got lost and the then Municipal Manager was of the opinion that Mr Mahlalela was negligent and that the cost of the lost laptop must be deducted. Possible liability of R13 000,00 if the case is lost.

Dihlabeng Local Municipality

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39. Contingencies (continued)

Princely Knowledge Consulting:

This case is handled by Breytenbach Mavuso Attorneys. A payment of R35 640,00 was made to this company for a training course. The funds were paid to this company but on several occasions the training was postponed. No liability for Council.

Aurecon Consultants:

This case is handled by Breytenbach Mavuso Attorneys. The consultants were involved in two projects – Mashaeng/Fouriesburg: Upgrading of bulk water supply and Mashaeng/Fouriesburg: 5,9 km Roads. The funds were paid to the consultants and the projects are not functional or finalized. No liability for Council.

Skosana Consulting Engineers:

This case is handled by Breytenbach Mavuso Attorneys. The consultants were involved in two projects – Mashaeng/Fouriesburg: Upgrading of bulk water supply and Mashaeng/Fouriesburg: 5,9 km Roads. The funds were paid to the consultants and the projects are not functional. No liability for Council.

E and R Maintenance and Erection CC (Contractors):

This case is handled by Breytenbach Mavuso Attorneys. The contractors were involved in two projects – Mashaeng/Fouriesburg: Upgrading of bulk water supply and Mashaeng/Fouriesburg: 5,9 km Roads. The funds were paid to the contractors and the projects are not functional or finalized. No liability for Council.

Nexor 350 cc (Contractors):

This case is handled by Breytenbach Mavuso Attorneys. The contractors were involved in two projects – Mashaeng/Fouriesburg: Upgrading of bulk water supply and Mashaeng/Fouriesburg: 5,9 km Roads. The funds were paid to the contractors and the projects are not functional or finalized. No liability for Council.

Marenza Civils and Kwena Ya Madiba (JV) Contractors:

This case is handled by Breytenbach Mavuso Attorneys. The contractors were involved in two projects – Mashaeng/Fouriesburg: Upgrading of bulk water supply and Mashaeng/Fouriesburg: 5,9 km Roads. The funds were paid to the contractors and the projects are not functional or finalized. No liability for Council.

White Hazy JV:

This case is handled by Breytenbach Mavuso Attorneys. This contractor was involved in the Water and Sewer Reticulation: Bohlokong Extensions 7 and 8 project. The funds were paid to the contractor and the project is not functional or finalized. No liability for Council.

MOT Professional Services Consulting:

This case is handled by Breytenbach Mavuso Attorneys. This consultant was involved in the Water and Sewer Reticulation: Bohlokong Extensions 7 and 8 project. The funds were paid to the consultant and the project is not functional or finalized. No liability for Council.

M P Khabane:

This case is handled by Breytenbach Mavuso Attorneys. Our application for a Court Order to reverse the Sale of the Property was successful. We are waiting for a legal opinion from Breytenbach Mavuso Attorneys. No liability for Council.

Clement Leche (Harringtons):

This case is handled by Breytenbach Mavuso Attorneys and is regarding Clement Leche's account that is in arrears. No liability for Council.

Harringtons (Rammile D):

This case is handled by Breytenbach Mavuso Attorneys and is regarding the settlement of the matter and the amount of settlement as well as a full and final settlement of all accounts of Harringtons including the Rammile matter. No liability for Council.

Shabbas Business Services CC:

This case is handled by Breytenbach Mavuso Attorneys and is regarding a pavement management system that was done by the company and they claim that Council owe them an amount of R1,1 million. Possible liability of R1,1 million.

Bibi Cash and Carry Supermarket (Pty) Ltd:

This case is handled by Breytenbach Mavuso Attorneys and the matter was settled per Council Resolution (Item R4/2013 on 28 June 2013) and the transfer of the property is in process.

Dihlabeng Local Municipality

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39. Contingencies (continued)

Mr N J Khomo:

This case is handled by Breytenbach Mavuso Attorneys and is regarding a motor accident claim of Mr N J Khomo to the amount of R22 520,00. Possible liability of R22 520,00.

Myburgh A:

This case is handled by Breytenbach Mavuso Attorneys and is regarding an illegal structure on Plot 1, Eden. No liability for Council.

Motaung M A:

This case is handled by Breytenbach Mavuso Attorneys and is regarding an application for the demolishment of the lapa that was illegally erected on erf 3752. No liability for Council.

P M Coleman:

This case is handled by Breytenbach Mavuso Attorneys and is regarding a CCMA case. Notice of motion to set aside the arbitration award in favour of Council was referred to the Labour Court by IMATU on 24 June 2011. No liability for Council at this stage.

Harringtons Inc:

This case is handled by Breytenbach Mavuso Attorneys and is regarding several cost accounts. No liability for Council.

H S Motsima / State:

This case is handled by Breytenbach Mavuso Attorneys and is regarding a charge of assault against Mrs H S Motsima. No liability for Council.

Bruce Dixon Edward Weyer:

This case is handled by Breytenbach Mavuso Attorneys and is regarding the renting and buying of a Caravan Park in Clarens. No liability for Council at this stage.

Molekoka Properties:

This case is handled by Breytenbach Mavuso Attorneys and is regarding a claim that was submitted by Molekoka Properties of ± R2 121 174,44 for work done for Dihlabeng Local Municipality with regard to the neighbourhood development program grant for a Bohlokong Development Plan. Possible liability of R2 121 174,44.

Unlawful occupiers of Council land: Extention 8, Bohlokong:

This case is handled by Breytenbach Mavuso Attorneys and is regarding the illegal selling of sites at extention 8 Bohlokong, Bethlehem and unlawful occupation of those sites. No liability for Council.

17 Atbara Road, Bethlehem:

This case is handled by Breytenbach Mavuso Attorneys and is regarding the illegal occupation of a property of Council. No liability for Council.

Telkom Limited SA/DLM:

This case is handled by Breytenbach Mavuso Attorneys and is regarding a claim that Telkom lodged against the Dihlabeng Local Municipality to the amount of R141 513,59. Telkom claim that a sewerage spillage damaged their equipment. Possible liability of R141 513,59.

Udumo Trading 147 CC:

This case is handled by Breytenbach Mavuso Attorneys and is regarding a claim that Udumo Trading lodged against the Dihlabeng Local Municipality for R1 159 000,05. Udumo claim that they completed a reservoir in Clarens and was not fully paid. Possible liability of R1 159 000,05.

Neon Electrical:

This case is handled by Breytenbach Mavuso Attorneys and is regarding electrical equipment that was couriered to Electrical Section and was again loaded by another courier service and got lost. Possible liability of R363 150,00.

Tswelopele Driving School:

This case is handled by Breytenbach Mavuso Attorneys and is regarding the illegal occupation of erf 2559, Bethlehem by this company. No liability for Council.

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39. Contingencies (continued)

F and A Civils Engineering:

This case is handled by Breytenbach Mavuso Attorneys and is regarding a Salveir SDC 10/10 Pump that is in the possession of F and A Civils Engineering from August 2011 we struggled to get this pump from the company without any success. No liability for Council.

Illegal occupiers: Portion of erf 3787, Bethlehem Extension 46:

This case is handled by Breytenbach Mavuso Attorneys and is regarding the illegal occupation of a portion of erf 3787, Bethlehem Extension 46. No liability for Council.

Illegal occupiers of Council land: Fouriesburg 228:

This case is handled by Breytenbach Mavuso Attorneys and is regarding the illegal occupation and erection of illegal housing on Council land: Fouriesburg 228. No liability for Council.

Illegal occupiers of Council land: Paul Roux: Wassau 711:

This case is handled by Breytenbach Mavuso Attorneys and is regarding the illegal occupation and erection of illegal housing on Council land: Paul Roux: Wassau 711. No liability for Council.

Willa's Supermarket:

This case is handled by Breytenbach Mavuso Attorneys and is regarding a collection matter in which Willa's Supermarket sold prepaid electricity and did not pay the amount owed to the municipality in the account of the municipality. No liability for Council.

Mr I M Skhula:

This case is handled by Breytenbach Mavuso Inc and is regarding the application for a claim against his pension fund for losses to Council. No liability for Council.

Hardware Mecca:

This case is handled by Breytenbach Mavuso Inc and is regarding the defending of the matter where a summons was received for an outstanding account. No liability for Council.

Deed of Sale: C du Plooy: Farm Wassau 711 and Mary Ann 712: Illegal occupation:

This case is handled by Breytenbach Mavuso Inc. Mr C du Plooy claim that he is the owner of the Farm Wassau 711 and Mary Ann 712, Paul Roux. The Dihlabeng Local Municipality is of the opinion that Mr C du Plooy is occupying municipal ground without any legal basis. No liability for Council.

40. Related parties

Relationships

Municipal staff member managing the pound

Sekanou Rental and Trading CC 2010/027020/23 of
Mr CP Changube (Pound master)

Related party transactions

Consulting fees paid to related party

Sekanou Rental and Trading CC

- 82,280

Sekanou Rental and Trading CC was sub-contracted for the paving of roads in Fouriesburg.

41. Prior period errors

Transactions relating to the previous reporting period were re-stated as a result of information which became available after the reporting period.

The correction of the error(s) results in adjustments as follows for the reporting period:

- Property, plant and equipment - asset of the prior year were re-stated due to assets incorrectly written off in the prior year and assets that were found during the current year that was not on the asset register
- Accounts payable - a creditor has only submitted an invoice for work performed in the previous financial year in the current year and salary costs that had to be re-stated
- Accumulated surplus - items that had to be accounted for in the financial years prior to 2012

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41. Prior period errors (continued)		
<ul style="list-style-type: none">Actuarial valuation - the long service award liability and related expenditure were not accounted for previously as it was not included in the report submitted by the previous ActuariesEmployee costs - matters relating to employee costs were only resolved in the current year resulted in the re-statement of employee costsDepreciation - assets that were previously not on the asset register had to be accounted for including depreciation relating to those assetsService provider fees - service provider only submitted an invoice for payment for work that was done in 2012 in the 2013 financial yearProfit on disposal of assets - assets that were written off in the prior year had to be restated and the relevant profit / (loss) recognised in the previous financial year had to be reversed		
Statement of financial position		
Property, plant and equipment	-	554,293
Trade and other payables	-	(122,540)
Opening Accumulated Surplus or Deficit	-	4,691,791
Statement of Financial Performance		
Actuarial valuation	-	(5,385,000)
Employee costs	-	275,596
Service provider fees	-	300,000
Depreciation of property, plant and equipment	-	68,428
Profit on disposal of assets	-	(45,435)
Cash flow statement		
Cash flow from operating activities		
Working capital changes	-	122,539
Cash flow from investing activities		
Property, plant and equipment	-	(554,293)
Cash flow from financing activities		
Adjustments posted directly to surplus	-	(4,691,791)

42. Risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Interest rate risk

Interest rate risk is defined as the risk that the fair value of future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest rate changes.

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42. Risk management (continued)

Credit risk

Credit risk is defined as the risk that one party to a financial instrument will fail to honour their obligation, thus causing the other party to incur a financial loss.

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well established financial institutions of high quality credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's investment policy. These limits are reviewed annually by the CFO and authorised by the executive mayoral committee.

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit valuations are performed on the financial condition of these debtors. Consumers debtors are presented net of an allowance for doubtful debt. Outstanding accounts are followed up monthly and the supply of electricity accounts not paid on due dates are cut immediately.

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

43. Going concern

We draw attention to the fact that at 30 June 2013, the municipality had accumulated surplus of R 1,682,760,334 and that the municipality's total assets exceed its liabilities by R 1,682,760,334.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

44. Events after the reporting date

Purchase of Property, Plant and Equipment (Owned - Buildings):

On 28 June 2013 Council approved the purchase of the building (Item R4/2013). The OK / Bibi Cash and Carry Building was purchased for an amount of R9 918 000.

45. Unauthorised expenditure

Unauthorised expenditure of the current year was condoned by Section 52 D report on 17 August 2012. (Council resolution nr 129/2012).

Unauthorised expenditure of the prior year was condoned by MPAC on 17 August 2012. (Council resolution nr 152/2012).

46. Fruitless and wasteful expenditure

Interest and penalties paid to SARS	1,052,250	876,976
Interest paid on Eskom account	4,443,799	3,294,329
Interest on arrears on DBSA and INCA loans	9,310,087	5,650,796
Bethlehem Hydro	-	35,153
	14,806,136	9,857,254

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46. Fruitless and wasteful expenditure (continued)

Interest and penalties paid on Eskom, SARS, DBSA loan and the INCA loan occurred due to cash flow constraints during the year.

Fruitless and wasteful expenditure was condoned. Unauthorised expenditure of the prior year was condoned by MPAC on 17 August 2012. (Council resolution nr 152/2012).

47. Irregular expenditure

Opening balance	65,686,137	47,899,414
Add: Irregular Expenditure - current year	-	60,385,887
Less: Amounts written off	(65,686,137)	(42,599,164)
	-	65,686,137

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Figures in Rand	2013	2012
47. Irregular expenditure (continued)		
Details of irregular expenditure written off		
	Condoned by council	
Kopanong Services - Proper supply chain processes were followed for the tender. The initial tender was awarded but the supplier could not deliver on the terms and conditions. Kopanong was the second best tenderer and they were appointed to ensure service delivery is not hampered as it relates to the reading of water and electricity meters.	MPAC resolution number MPAC/1 dated 2013/06/13	2,109,230
Mashinini Enterprise Plant Hire - Misleading information was submitted by the competitive bidder and the contract was awarded to Mashinini for the maintenance of the landfill site.	MPAC resolution number MPAC/1 dated 2013/06/13	19,353,811
MVD Xariep Consulting Engineers CC - Proper supply chain processes were not followed and the appointment of the supplier was risk based. The tender was for the sourcing of additional funding for projects.	MPAC resolution number MPAC/1 dated 2013/06/13	1,215,153
Badiri Ba Setso CC - Proper supply chain processes were not followed. The supplier prepared the SDBIP for the municipality.	MPAC resolution number MPAC/1 dated 2013/06/13	780,615
Maqelepo Office Supplies - Proper supply chain processes were not followed for the procurement of office furniture.	MPAC resolution number MPAC/1 dated 2013/06/13	661,328
Marwin Marketing - Proper supply chain processes were not followed for the procurement of water chemicals.	MPAC resolution number MPAC/1 dated 2013/06/13	658,978
Izingcweti Zomzansi Consulting & Project Management - Proper supply chain processes were not followed. The initial contract period for the appointment was increased.	MPAC resolution number MPAC/1 dated 2013/06/13	637,762
Open Water Advanced Risk Solutions (Pty) Ltd - Proper supply chain processes were not followed for the procurement of a special investigation.	MPAC resolution number MPAC/1 dated 2013/06/13	481,597
Kitshoff Consulting - Proper supply chain processes were not followed for the procurement of body guards as it was an emergency.	Council resolution number 97/2013 of 2013/08/29	402,640
CYBKO Security Services - The tendered amount for the rendering of security services was exceeded due to the increased number of guards required.	Council resolution number 97/2013 of 2013/08/29	4,390,923
Dinatla Advisory Services - Proper supply chain processes were not followed for the revenue enhancement programme.	MPAC resolution number MPAC/1 dated 2013/06/13	7,691,100
Molprocon CC - Proper supply chain processes were not followed for the appointment of contractors on turn key projects.	MPAC resolution number MPAC/1 dated 2013/06/13	5,471,922
Bohlokong Computer Solutions - Proper supply chain processes not followed for the supply of IT goods and services.	MPAC resolution number MPAC/1 dated 2013/06/13	3,480,317
Ke a Dira Construction and Civil Engineering - Additional tender documents submitted lost due to non fastening to the tender document. It relates to the Kgubetswana paved roads.	MPAC resolution number MPAC/1 dated 2013/06/13	5,997,512
Boiketlo Consulting Engineers - Proper supply chain processes were not followed for the appointment of contractors on turn key projects.	MPAC resolution number MPAC/1 dated 2013/06/13	1,451,801

Dihlabeng Local Municipality

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Figures in Rand	2013	2012
47. Irregular expenditure (continued)		
Ndlovu Ngwenyama Civil Construction & Project Manager - Proper supply chain processes were not followed for the appointment of contractors on turn key projects.	MPAC resolution number MPAC/1 dated 2013/06/13	1,348,414
Proper Consulting Engineers - Proper supply chain processes were not followed for the appointment of contractors on turn key projects.	MPAC resolution number MPAC/1 dated 2013/06/13	1,148,494
Mogan Govendar - Proper supply chain processes were not followed for the appointment of contractors on turn key projects.	MPAC resolution number MPAC/1 dated 2013/06/13	765,184
Marenza Civils & Kwena Ya Madiba JV - The contractor were appointed to build and maintain roads but the roads were not completed. The project was then completed internally and it was not advertised.	MPAC resolution number MPAC/1 dated 2013/06/13	367,392
Seleke Attorneys - No tender processes followed for the selection of Attorneys to handle a legal case on behalf of Councillor PD Lengoabala.	MPAC resolution number MPAC/1 dated 2013/06/13	327,757
Kgalapa Training Institution - Proper supply chain processes were not followed for the training of unskilled staff members.	MPAC resolution number MPAC/1 dated 2013/06/13	201,070
Little Venice Trading 513 CC - Proper supply chain processes were not followed for the tender. The initial tender was awarded but the supplier could not deliver on the terms and conditions. They were sub-contractors.	MPAC resolution number MPAC/1 dated 2013/06/13	186,265
GC Tech - Proper supply chain processes were not followed for the appointment of IT goods and services. GC Tech is a sub-contractor of BC Solutions.	MPAC resolution number MPAC/1 dated 2013/06/13	140,866
Utilities World - Proper supply chain processes were not followed for the selling of pre-paid electricity on behalf of the municipality.	MPAC resolution number MPAC/1 dated 2013/06/13	116,394
Wandile Catering - The value of the catering exceeded the threshold of 7 day bids. The services was for the catering for the winter school programme.	MPAC resolution number MPAC/1 dated 2013/06/13	262,887
Autumn Skies Trading 581 CC - Proper supply chain processes were not followed for the supplying of shacks.	MPAC resolution number MPAC/1 dated 2013/06/13	457,530
E Snyman Consulting and Investments - Proper supply chain processes were not followed for the resurfacing for roads in Bergsig and Panorama East.	MPAC resolution number MPAC/1 dated 2013/06/13	111,000
Deloitte Consulting - No proper supply chain processes not followed for the appointment of Deloitte Consulting for the actuarial valuation.	MPAC resolution number MPAC/1 dated 2013/06/13	39,900
Masterplan Architects - Proper supply chain processes were not followed for the design of the head quarters.	MPAC resolution number MPAC/1 dated 2013/06/13	27,312
Frontier Inn & Casino - No proper supply chain processes followed for the accommodation of the close protection services.	Council resolution number 97/2013 of 2013/08/29	100,733
		60,385,887

Dihlabeng Local Municipality

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48. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Current year subscription / fee	1,526,164	1,465,300
Amount paid - current year	(1,526,164)	(1,465,300)
	-	-
Audit fees		
Current year subscription / fee	4,688,405	3,057,064
Amount paid - current year	(4,688,405)	(3,057,064)
	-	-
PAYE and UIF		
Opening balance	1,988,037	1,313,613
Current year subscription / fee	-	15,763,356
Amount paid - current year	-	(15,088,932)
	1,988,037	1,988,037
Pension and Medical Aid Deductions		
Opening balance	4,473,020	3,073,533
Current year subscription / fee	-	36,882,396
Amount paid - current year	-	(35,482,909)
	4,473,020	4,473,020
VAT		
VAT payable	2,442,112	11,875,156

Dihlabeng Local Municipality

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48. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2013:

30 June 2013	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
PD Lengoabala	13,828	196,728	210,556
NN Nzimande	4,290	116,375	120,665
PR Mofokeng	1,235	17,507	18,742
TJ Seekane	596	5,423	6,019
HE Mokoena	1,594	3,715	5,309
TA Masoeu	2,702	261	2,963
MSTV Mofokeng	832	1,125	1,957
TV Mofokeng	1,268	431	1,699
MR Mokoena	746	470	1,216
	27,091	342,035	369,126

30 June 2012	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
PD Lengoabala	12,103	193,314	205,417
NN Nzimande	2,674	92,083	94,757
M Prior	8,001	29,769	37,770
MA Mokoena	1,607	30,794	32,401
MR Mokoena	997	24,065	25,062
MK Mofokeng	1,071	23,457	24,528
PHJ Olivier	7,470	14,526	21,996
PR Mofokeng	2,064	15,903	17,967
JJH Pienaar	5,068	11,377	16,445
TJ Tseki	860	15,371	16,231
ME Sempe	1,295	9,737	11,032
TA Masoeu	976	9,911	10,887
MJ Mokoena	786	9,826	10,612
TJ Seekane	1,158	7,230	8,388
MA Noosi	2,934	484	3,418
TM Mofokeng	694	2,316	3,010
PP Mokoena	771	1,960	2,731
TV Mofokeng	693	1,970	2,663
PA Maasdorp	1,498	517	2,015
LJ Lemako	658	1,092	1,750
TMH Mofokeng	702	148	850
	54,080	495,850	549,930

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2013	Highest outstanding amount	Aging (in days)
PD Lengoabala	210,556	120
NN Nzimande	120,666	120
PR Mofokeng	18,742	120
TJ Seekane	6,019	120
HE Mokoena	5,309	120
TA Masoeu	2,963	120

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48. Additional disclosure in terms of Municipal Finance Management Act (continued)		
MSTV Mofokeng	1,957	120
TV Mofokeng	1,699	120
MR Mokoena	1,215	120
	369,126	1,080

The councillors made arrangements during the current financial year to settle their arrear accounts.

30 June 2012	Highest outstanding amount	Aging (in days)
PD Lengoabala	170,233	120
NN Nzimande	103,673	120
PR Mofokeng	16,330	120
MA Mokoena	11,255	120
TJ Seekane	4,765	120
MR Mokoena	3,787	120
MK Mofokeng	3,007	120
JM Radebe	1,513	120
MSTV Mofokeng	649	120
DM Mofokeng	564	120
TV Mofokeng	138	120
SM Jacobs	43	120
	315,957	1,440

The balance of councillors arrear accounts were re-stated due to the non-disclosure of all municipal accounts. The effect of the re-statement resulted in an increase of R99 088.

Councillor DM Mofokeng and Councillor NM Mosupa passed away during the 2012 financial year.

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council.

Incident

Emergencies	452,303	3,004,222
Sole providers	1,233,084	705,793
Strip and quote	-	81,977
Entertainment	155,000	-
	1,840,387	3,791,992

The above-mentioned deviations were reported to council.

A full list containing the details of the deviations is available for inspection at the offices of the municipality.

Dihlabeng Local Municipality

Appendix A

June 2013

Schedule of external loans as at 30 June 2013

	Loan Number	Redeemable	Balance at 30 June 2012 Rand	Redeemed written off during the period Rand	Balance at 30 June 2013 Rand
Development Bank of South Africa					
Long-term loan (restructured loan)	61006906	2022/12/31	38,698,314	2,188,813	36,509,501
			38,698,314	2,188,813	36,509,501
INCA					
Long-term loan	1264	2013/07/31	1,377,746	1,264,226	113,520
Long-term loan	2813	2013/11/30	719,455	492,954	226,501
			2,097,201	1,757,180	340,021
Total external loans					
Development Bank of South Africa			38,698,314	2,188,813	36,509,501
INCA			2,097,201	1,757,180	340,021
			40,795,515	3,945,993	36,849,522

June 2013

Land and buildings

Infrastructure

Community Assets

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June 2013

Analysis of property, plant and equipment as at 30 June 2013

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Dihlabeng Local Municipality

Appendix C

June 2013

Segmental analysis of property, plant and equipment as at 30 June 2013

Cost/Revaluation Accumulated Depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand
Municipality									
Mayor	494,824	24,557	(1,661)	517,720	(78,292)	1,405	(15,896)	(92,783)	424,937
Finance & Admin/Finance	54,612,168	2,710,229	(183,292)	57,139,105	(8,640,897)	155,086	(1,754,420)	(10,240,231)	46,898,874
Planning and Development/Economic Development/Plan	2,630,907	130,564	(8,830)	2,752,641	(416,270)	7,471	(84,518)	(493,317)	2,259,324
Corporate services	4,737,863	235,125	(15,901)	4,957,087	(749,639)	13,454	(152,204)	(888,389)	4,068,698
Comm. & Social/Libraries and archives	590,026,939	29,281,173	(1,980,276)	617,327,836	(93,355,784)	1,675,537	(18,954,659)	(110,634,906)	506,692,930
Mayoral office administration	5,441,082	270,024	(18,262)	5,692,844	(860,905)	15,451	(174,795)	(1,020,249)	4,672,595
Municipal manager administration	75,054,699	3,724,728	(251,902)	78,527,525	(11,875,374)	213,138	(2,411,138)	(14,073,374)	64,454,151
Public works	1,344,534,213	69,852,992	(4,724,134)	1,409,663,071	(159,463,508)	3,997,150	(45,218,120)	(200,684,478)	1,208,978,593
	2,077,532,695	106,229,392	(7,184,258)	2,176,577,829	(275,440,669)	6,078,692	(68,765,750)	(338,127,727)	1,838,450,102
Total	2,077,532,695	106,229,392	(7,184,258)	2,176,577,829	(275,440,669)	6,078,692	(68,765,750)	(338,127,727)	1,838,450,102

Dihlabeng Local Municipality
Appendix D

June 2013

Segmental Statement of Financial Performance for the year ended
Prior Year **Current Year**

Actual Income	Actual Expenditure	Surplus		Actual Income	Actual Expenditure	Surplus
Rand	Rand	/(Deficit)		Rand	Rand	/(Deficit)
		Rand				Rand
Municipality						
110,254,089	78,362,277	31,891,812	Executive & Council/Mayor and Council	129,644,211	102,299,539	27,344,672
90,767,441	30,993,064	59,774,377	Finance & Admin/Finance	94,647,222	35,818,802	58,828,420
710,670	10,991,175	(10,280,505)	Planning and Development/Economic Development/Plan	817,598	14,592,105	(13,774,507)
1,333,548	13,978,401	(12,644,853)	Comm. & Social/Libraries and archives	5,467,661	14,168,659	(8,700,998)
702,486	86,963,496	(86,261,010)	Public Safety/Police	2,157,779	100,941,478	(98,783,699)
4,667,936	12,194,153	(7,526,217)	Sport and Recreation	1,807,886	13,186,182	(11,378,296)
141,522,474	156,993,377	(15,470,903)	Waste Water Management/Sewerage	161,858,046	138,255,525	23,602,521
181,055,290	112,964,847	68,090,443	Road Transport/Roads	195,798,761	158,265,061	37,533,700
531,013,934	503,440,790	27,573,144		592,199,164	577,527,351	14,671,813
Municipal Owned Entities						
Other charges						
531,013,934	503,440,790	27,573,144	Municipality	592,199,164	577,527,351	14,671,813
531,013,934	503,440,790	27,573,144	Total	592,199,164	577,527,351	14,671,813

Dihlabeng Local Municipality
Appendix E(1)

June 2013

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2013

	Current year 2013 Act. Bal.	Current year 2013 Adjusted budget	Variance		Explanation of Significant Variances greater than 10% versus Budget
	Rand	Rand	Rand	Var	
Revenue					
Rendering of services	1,543,677	-	1,543,677	-	
Property rates	66,850,440	64,651,705	2,198,735	3.4	
Service charges	265,410,619	228,998,856	36,411,763	15.9	Consumers used less services than anticipated.
Rental of facilities and equipment	3,555,596	4,077,546	(521,950)	(12.8)	More consumers rented the facilities of the Municipality.
Interest received - accounts receivable	23,060,999	21,444,024	1,616,975	7.5	The increase is due to the increase in debtors.
Fines	4,571,578	514,051	4,057,527	789.3	A new system was implemented for traffic fines which exceeded expectations.
Licences and permits	86,343	20,385	65,958	323.6	More consumers paid for licences.
Other income	227,119,912	192,541,965	34,577,947	18.0	More government grants were received.
	592,199,164	512,248,532	79,950,632	15.6	
Expenses					
Employee costs	(158,209,029)	(153,330,046)	(4,878,983)	3.2	
Remuneration of councillors	(13,060,025)	(11,420,926)	(1,639,099)	14.4	
Depreciation	(68,534,170)	(30,634,742)	(37,899,428)	123.7	The anticipated additions and impairment of assets during the year could not be determined when the budget was prepared.
Finance costs	(15,858,386)	(4,733,953)	(11,124,433)	235.0	The DBSA loan was re-structured during the year and therefore the increase in the finance costs.
Debt impairment	(86,051,120)	(23,001,686)	(63,049,434)	274.1	The increase in the debt impairment was due to the non-payment of service accounts.
Repairs and maintenance - General	(16,462,664)	(30,000,000)	13,537,336	(45.1)	More expenditure were capitalised instead of doing repairs and maintenance.
Bulk purchases	(117,930,942)	(121,626,142)	3,695,200	(3.0)	
Contracted Services	(2,008,159)	(2,280,000)	271,841	(11.9)	The cost for the meter reading services increased as the disconnection of services are also included in contracted services.
Grants and subsidies paid	(9,138,285)	(16,056,000)	6,917,715	(43.1)	More indigents received a subsidy than what was budgeted for.
General Expenses	(119,618,197)	(119,165,037)	(453,160)	0.4	
	(606,870,977)	(512,248,532)	(94,622,445)	18.5	
Net surplus/ (deficit) for the year	(14,671,813)	-	(14,671,813)	-	

Dihlabeng Local Municipality
Appendix E(2)

June 2013

Budget Analysis of Capital Expenditure as at 30 June
2013

	Additions	Original Budget	Revised Budget	Variance	Variance	Explanation of significant
	Rand	Rand	Rand	Rand	%	variances from budget
Municipality						
Property plant and equipment	106,229,391	75,733,000	-	(106,229,391)	-	The variance is due to capital projects that is still work in progress and should be completed in the next financial year.
	106,229,391	75,733,000	-	(106,229,391)	-	

Dihlabeng Local Municipality

Appendix F

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

June 2013

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act
		Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	
Equitable Share	National Government	53,903,000	43,122,000	33,342,000	-	130,367,000	130,367,000	130,367,000	130,367,000	Yes
Municipal Systems Improvement Grant	National Government	800,000	-	-	-	200,000	200,000	200,000	200,000	Yes
Municipal Infrastructure Grant	National Government	21,803,000	-	20,844,000	-	4,012,552	11,651,497	15,377,283	11,605,668	Yes
Financial Management Grant	National Government	1,500,000	-	-	-	375,000	375,000	375,000	375,000	Yes
Department of Water Affairs Grant	National Government	5,884,228	12,567,131	10,096,956	6,562,383	11,556,780	12,787,112	4,362,876	7,387,708	Yes
EPWP Grant	National Government	400,000	300,000	300,000	-	28,140	95,065	674,942	201,853	Yes
		-	-	-	-	-	-	-	-	Yes
		84,290,228	55,989,131	64,582,956	6,562,383	146,539,472	155,475,674	151,357,101	150,137,229	

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

Dihlabeng Local Municipality

Appendix G1

Budgeted Financial Performance (revenue and expenditure by standard classification) for the year ended 30 June 2013

	2013/2012								2012/2011						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue - Standard															
Governance and administration	237,371	-	237,371	-		237,371	232,038		(5,333)	98 %	98 %				277,827
Executive and council	130,507	-	130,507	-		130,507	129,644		(863)	99 %	99 %				185,056
Budget and treasury office	98,311	-	98,311	-		98,311	94,647		(3,664)	96 %	96 %				90,767
Corporate services	8,553	-	8,553	-		8,553	7,747		(806)	91 %	91 %				2,004
Community and public safety	5,224	-	5,224	-		5,224	2,285		(2,939)	44 %	44 %				4,182
Community and social services	1,631	-	1,631	-		1,631	2,285		654	140 %	140 %				3,141
Sport and recreation	108	-	108	-		108	-		(108)	- %	- %				-
Public safety	3,201	-	3,201	-		3,201	-		(3,201)	- %	- %				678
Housing	284	-	284	-		284	-		(284)	- %	- %				363
Economic and environmental services	658	-	658	-		658	52,298		51,640	7,948 %	7,948 %				346
Planning and development	639	-	639	-		639	565		(74)	88 %	88 %				347
Road transport	19	-	19	-		19	51,733		51,714	272,279 %	272,279 %				(1)
Trading services	272,017	-	272,017	-		272,017	305,578		33,561	112 %	112 %				250,095
Electricity	146,493	-	146,493	-		146,493	143,721		(2,772)	98 %	98 %				134,965
Water	48,427	-	48,427	-		48,427	85,574		37,147	177 %	177 %				44,512
Waste water management	38,701	-	38,701	-		38,701	38,080		(621)	98 %	98 %				35,934
Waste management	38,396	-	38,396	-		38,396	38,203		(193)	99 %	99 %				34,684
Total Revenue - Standard	515,270	-	515,270	-		515,270	592,199		76,929	115 %	115 %				532,450

Dihlabeng Local Municipality

Appendix G1

Budgeted Financial Performance (revenue and expenditure by standard classification) for the year ended 30 June 2013

	2013/2012									2012/2011					
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure - Standard															
Governance and administration	351,556	-	351,556	-	-	351,556	292,976	-	(58,580)	83 %	83 %	180,391	166,971	(13,420)	217,111
Executive and council	89,325	-	89,325	-	-	89,325	100,435	-	11,110	112 %	112 %	7,297	1,568	(5,729)	84,144
Budget and treasury office	139,747	-	139,747	-	-	139,747	35,819	-	(103,928)	26 %	26 %	173,094	165,403	(7,691)	30,183
Corporate services	122,484	-	122,484	-	-	122,484	156,722	-	34,238	128 %	128 %	-	-	-	102,784
Community and public safety	34,072	-	34,072	-	-	34,072	21,768	-	(12,304)	64 %	64 %	30,615	30,615	-	26,296
Community and social services	17,987	-	17,987	-	-	17,987	21,768	-	3,781	121 %	121 %	19,354	19,354	-	13,185
Sport and recreation	5,317	-	5,317	-	-	5,317	-	-	(5,317)	- %	- %	6,870	6,870	-	3,403
Public safety	8,479	-	8,479	-	-	8,479	-	-	(8,479)	- %	- %	4,391	4,391	-	7,914
Housing	2,289	-	2,289	-	-	2,289	-	-	(2,289)	- %	- %	-	-	-	1,794
Economic and environmental services	44,281	-	44,281	-	-	44,281	20,100	-	(24,181)	45 %	45 %	9,820	9,820	-	31,729
Planning and development	12,498	-	12,498	-	-	12,498	2,996	-	(9,502)	24 %	24 %	27	27	-	7,184
Road transport	31,783	-	31,783	-	-	31,783	17,104	-	(14,679)	54 %	54 %	9,793	9,793	-	24,545
Trading services	182,716	-	182,716	-	-	182,716	272,027	-	89,311	149 %	149 %	2,512	2,512	-	228,275
Electricity	127,256	-	127,256	-	-	127,256	133,772	-	6,516	105 %	105 %	638	638	-	95,151
Water	19,929	-	19,929	-	-	19,929	14,147	-	(5,782)	71 %	71 %	1,874	1,874	-	12,012
Waste water management	17,698	-	17,698	-	-	17,698	101,608	-	83,910	574 %	574 %	-	-	-	97,771
Waste management	17,833	-	17,833	-	-	17,833	22,500	-	4,667	126 %	126 %	-	-	-	23,341
Total Expenditure - Standard	612,625	-	612,625	-	-	612,625	606,871	-	(5,754)	99 %	99 %	223,338	209,918	(13,420)	503,411
Surplus/(Deficit) for the year	(97,355)	-	(97,355)	-		(97,355)	(14,672)		82,683	15 %	15 %				29,039

Dihlabeng Local Municipality
Appendix G2
Budgeted Financial Performance (revenue and expenditure by municipal vote)
for the year ended 30 June 2013

	2013/2012									2012/2011					
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA Rand	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand		Rand	Rand
Revenue by Vote															
Municipal Manager	1,140	-	1,140	-		1,140	216,019		214,879	18,949 %	18,949 %				(4,029)
Community Services	43,201	-	43,201	-		43,201	5,125		(38,076)	12 %	12 %				36,638
Corporate Services	212	-	212	-		212	-		(212)	- %	- %				(2,921)
Councillors	129,367	-	129,367	-		129,367	129,367		-	100 %	100 %				118,346
Finance	98,311	-	98,311	-		98,311	94,647		(3,664)	96 %	96 %				90,767
Local Economic Development	18	-	18	-		18	17		(1)	94 %	94 %				66
Public Works	243,022	-	243,022	-		243,022	147,024		(95,998)	60 %	60 %				293,646
Total Revenue by Vote	515,271	-	515,271	-		515,271	592,199		76,928	115 %	115 %				532,513
Expenditure by Vote to be appropriated															
Municipal Manager	49,940	-	49,940	-	-	49,940	255,423	14,840	205,483	511 %	511 %	9,454	5,064	(4,390)	52,380
Community Services	47,266	-	47,266	-	-	47,266	11,315	9,599	(35,951)	24 %	24 %	19,354	19,354	-	48,648
Corporate Services	100,475	-	100,475	-	-	100,475	101,520	-	1,045	101 %	101 %	-	-	-	96,379
Councillors	41,013	-	41,013	-	-	41,013	52,251	903	11,238	127 %	127 %	2,234	1,731	(503)	29,048
Finance	139,747	-	139,747	-	-	139,747	35,819	138,884	(103,928)	26 %	26 %	173,094	173,094	-	30,183
Local Economic Development	7,474	-	7,474	-	-	7,474	8,330	-	856	111 %	111 %	-	-	-	4,961
Public Works	226,711	-	226,711	-	-	226,711	142,213	15,870	(84,498)	63 %	63 %	19,201	19,201	-	241,811
Total Expenditure by Vote	612,626	-	612,626	-	-	612,626	606,871	180,096	(5,755)	99 %	99 %	223,337	218,444	(4,893)	503,410
Surplus/(Deficit) for the year	(97,355)	-	(97,355)	-		(97,355)	(14,672)		82,683	15 %	15 %				29,103

Dihlabeng Local Municipality
Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2013

2013/2012										2012/2011					
Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome	
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	
Revenue By Source															
Property rates	71,358	-	71,358	-		71,358	66,850		(4,508)	94 %	94 %			67,323	
Service charges - electricity revenue	147,171	-	147,171	-		147,171	145,335		(1,836)	99 %	99 %			129,197	
Service charges - water revenue	48,221	-	48,221	-		48,221	44,801		(3,420)	93 %	93 %			44,654	
Service charges - sanitation revenue	38,648	-	38,648	-		38,648	38,026		(622)	98 %	98 %			35,899	
Service charges - refuse revenue	37,308	-	37,308	-		37,308	37,248		(60)	100 %	100 %			34,368	
Rental of facilities and equipment	3,728	-	3,728	-		3,728	3,556		(172)	95 %	95 %			2,953	
Interest earned - outstanding debtors	23,454	-	23,454	-		23,454	23,061		(393)	98 %	98 %			19,858	
Fines	3,129	-	3,129	-		3,129	4,576		1,447	146 %	146 %			641	
Transfers recognised - operational	131,667	-	131,667	-		131,667	132,667		1,000	101 %	101 %			117,091	
Other revenue	9,887	-	9,887	-		9,887	95,214		85,327	963 %	963 %			5,539	
Gains on disposal of PPE	700	-	700	-		700	865		165	124 %	124 %			1,500	
Total Revenue (excluding capital transfers and contributions)	515,271	-	515,271	-		515,271	592,199		76,928	115 %	115 %			468,471	

Dihlabeng Local Municipality
Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2013

2013/2012									2012/2011					
Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure By Type														
Employee related costs	152,154	-	152,154	-	-	152,154	157,635	-	5,481	104 %	104 %	-	-	142,711
Remuneration of councillors	11,842	-	11,842	-	-	11,842	13,060	-	1,218	110 %	110 %	-	-	12,888
Debt impairment	115,243	-	115,243	-	-	115,243	86,051	37,000	(29,192)	75 %	75 %	85,709	85,709	85,709
Depreciation & asset impairment	78,941	-	78,941	-	-	78,941	68,534	90,000	(10,407)	87 %	87 %	67,385	67,385	67,385
Finance charges	4,734	-	4,734	-	-	4,734	15,858	272	11,124	335 %	335 %	6,528	6,528	6,219
Bulk purchases	118,167	-	118,167	-	-	118,167	117,931	4,578	(236)	100 %	100 %	3,294	3,294	83,154
Other materials	24,733	-	24,733	-	-	24,733	16,463	-	(8,270)	67 %	67 %	-	-	17,724
Contracted services	27,920	-	27,920	-	-	27,920	2,008	48,247	(25,912)	7 %	7 %	41,220	36,326	10,376
Other expenditure	78,893	-	78,893	-	-	78,893	129,331	-	50,438	164 %	164 %	-	-	73,384
Total Expenditure	612,627	-	612,627	-	-	612,627	606,871	180,097	(5,756)	99 %	99 %	204,136	199,242	503,409
Surplus/(Deficit)	(97,356)	-	(97,356)	-	-	(97,356)	(14,672)	(180,097)	82,684	15 %	15 %	(204,136)	(199,242)	(34,938)
Transfers recognised - capital	69,380	-	69,380	-	-	69,380	-	-	(69,380)	- %	- %	-	-	73,454
Surplus/(Deficit) after capital transfers & contributions	(27,976)	-	(27,976)	-	-	(27,976)	(14,672)	-	13,304	52 %	52 %	-	-	38,516
Surplus/(Deficit) after taxation	(27,976)	-	(27,976)	-	-	(27,976)	(14,672)	-	13,304	52 %	52 %	-	-	38,516
Surplus/(Deficit) attributable to municipality	(27,976)	-	(27,976)	-	-	(27,976)	(14,672)	-	13,304	52 %	52 %	-	-	38,516
Surplus/(Deficit) for the year	(27,976)	-	(27,976)	-	-	(27,976)	(14,672)	-	13,304	52 %	52 %	-	-	38,516

Dihlabeng Local Municipality

Appendix G4

Budgeted Capital Expenditure by vote, standard classification and funding for the year ended 30 June 2013

	2013/2012								2012/2011						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA) Rand	Final adjustments budget Rand	Shifting of funds (i.t.o. s31 of the MFMA) Rand	Virement (i.t.o. Council approved policy) Rand	Final Budget Rand	Actual Outcome Rand	Unauthorised expenditure Rand	Variance Rand	Actual Outcome as % of Final Budget Rand	Actual Outcome as % of Original Budget Rand	Reported unauthorised expenditure Rand	Expenditure authorised in terms of section 32 of MFMA Rand	Balance to be recovered Rand	Restated Audited Outcome Rand
Capital expenditure - Vote															
Multi-year expenditure															
Public Works	66,233	-	66,233	-	-	66,233	53,115	14,366	(13,118)	80 %	80 %	-	-	-	55,090
Capital multi-year expenditure sub- total	66,233	-	66,233	-	-	66,233	53,115	14,366	(13,118)	80 %	80 %	-	-	-	55,090
Single-year expenditure															
Total Capital Expenditure - Vote	66,233	-	66,233	-	-	66,233	53,115	14,366	(13,118)	80 %	80 %	-	-	-	110,180

Dihlabeng Local Municipality
Appendix G4
Budgeted Capital Expenditure by vote, standard classification and funding
for the year ended 30 June 2013

2013/2012									2012/2011					
Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital Expenditure - Standard														
Governance and administration	5,835	-	5,835	-	-	5,835	4,679	-	(1,156)	80 %	80 %	-	-	-
Corporate services	5,835	-	5,835	-	-	5,835	4,679	-	(1,156)	80 %	80 %	-	-	-
Community and public safety	11,710	-	11,710	-	-	11,710	9,391	5,428	(2,319)	80 %	80 %	-	-	-
Sport and recreation	11,710	-	11,710	-	-	11,710	9,391	5,428	(2,319)	80 %	80 %	-	-	-
Economic and environmental services	16,393	-	16,393	-	-	16,393	13,146	207	(3,247)	80 %	80 %	-	-	-
Road transport	16,393	-	16,393	-	-	16,393	13,146	207	(3,247)	80 %	80 %	-	-	-
Trading services	32,295	-	32,295	-	-	32,295	25,899	8,731	(6,396)	80 %	80 %	-	-	-
Electricity	4,500	-	4,500	-	-	4,500	3,609	-	(891)	80 %	80 %	-	-	-
Water	-	-	-	-	-	-	-	8,731	-	DIV/0 %	DIV/0 %	-	-	-
Waste water management	27,795	-	27,795	-	-	27,795	22,290	-	(5,505)	80 %	80 %	-	-	-
Total Capital Expenditure - Standard	66,233	-	66,233	-	-	66,233	53,115	14,366	(13,118)	80 %	80 %	19,201	19,201	-
Funded by:														
National Government	51,733	-	51,733	-		51,733	53,115		1,382	103 %	103 %			73,454
Transfers recognised - capital	51,733	-	51,733	-		51,733	53,115		1,382	103 %	103 %			73,454
Internally generated funds	14,500	-	14,500	-		14,500	-		(14,500)	- %	- %			(18,363)
Total Capital Funding	66,233	-	66,233	-		66,233	53,115		(13,118)	80 %	80 %			55,091

Dihlabeng Local Municipality
Appendix G5
Budgeted Cash Flows
for the year ended 30 June 2013

	2013/2012						2012		
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Cash flow from operating activities									
Ratepayers and other	268,360	-	268,360	268,360	212,892	(55,468)	79 %	79 %	242,912
Government - operating	131,667	-	131,667	131,667	131,667	-	100 %	100 %	194,125
Government - capital	75,733	-	75,733	75,733	91,313	15,580	121 %	121 %	-
Suppliers and employees	(312,526)	-	(312,526)	(312,526)	(315,684)	(3,158)	101 %	101 %	(273,378)
Finance charges	(4,734)	-	(4,734)	(4,734)	(15,858)	(11,124)	335 %	335 %	(4,734)
Transfers and Grants	(75,733)	-	(75,733)	(75,733)	-	75,733	- %	- %	-
Net cash flow from/used operating activities	82,767	-	82,767	82,767	104,330	21,563	126 %	126 %	158,934
Cash flow from investing activities									
Capital assets	(82,745)	-	(82,745)	(82,745)	(106,229)	(23,484)	128 %	128 %	(96,661)
Net cash flow from/used investing activities	(82,745)	-	(82,745)	(82,745)	(106,229)	(23,484)	128 %	128 %	(86,560)
Cash flow from financing activities									
Repayment of borrowing	(5,806)	-	(5,806)	(5,806)	(3,946)	1,860	68 %	68 %	(5,806)
Net cash flow from/used financing activities	(5,806)	-	(5,806)	(5,806)	(3,946)	1,860	68 %	68 %	(5,806)
Net increase/(decrease) in cash held	(5,784)	-	(5,784)	(5,784)	(5,845)	(61)	101 %	101 %	66,568
Cash/cash equivalents at the year end:	(5,784)	-	(5,784)	(5,784)	(5,845)	(61)	101 %	101 %	